Austria	Sch30	Iran	Rls270	Pakistan	Rs35
Bahrain	Din0.800	Israel	Shk4.00	Philippines	Peso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc165
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	Fmk8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.50	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs28	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3900	Oman	OR1.20	UAE	Dh8.50

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D 8523A

World News

Tehran frees Briton held five years on spy charge

Businessman Roger Cooper returned to Britain after more than five years in an Iranian prison on charges of alleged spying.

Mr Cooper's release has underlined Iran's determination to mend fences with the west and raised hopes for British hostages still held in Lebanon. Page 18; Leaving the country he loves, Page 4

IRA verdict

A Dutch court jailed Irishman Gerard Harte for 18 years for the 1990 murder of two Australian tourists during a wave of Irish Republican Army attacks in Europe. Three other Irish nationals were acquitted.

No threat to Yeltsin

Efforts by Communist hardliners to remove Boris Yeltsin, the Russian leader, from power fizzled out on the sixth day of the special congress of the Russian parliament. Page 2

France in UN appeal

France said it planned to take the fate of Kurds and southern Iraq's Sh'ites before the United Nations Security Council amid reports that more than 200,000 people fleeing Iraq were in danger of death. Page 18

Chinese punishment

China reportedly confiscated the licences of two lawyers who defended dissidents active in the 1989 pro-democracy campaigns. A third lawyer is to be denied state housing.

Yugoslav ultimatum

Yugoslavia's federal army ordered Croatia's police to leave the troubled area of Plitivice by yesterday evening or face being driven out.

'Save whales' plea

Thirty-three environmental groups from around the world sent a letter to prime minister Toshiki Kaifu demanding that Japan stop hunting species of porpoise and dolphin. Earth summit charter, Page 6

Hurd in Hong Kong

Douglas Hurd, UK foreign secretary, arrived in Hong Kong pledging to tackle slow progress on arrangements for the colony's return to Chinese sovereignty in 1997. Page 4

Thaw in relations

An official delegation from Israeli prime minister Yitzhak Shamir's hardline Likud party is to visit Egypt, the first time since the countries signed Camp David peace accords in 1979. Page 4

Right-winger slain

Jaime Guzman, a right-wing supporter of Chile's former military government, was shot dead by terrorists apparently seeking to upset the country's fledgling democracy. Page 3

Tokyo pays US

Japan paid the US Y285bn ($2.05bn) in Gulf war aid, bringing Tokyo's contribution to $9bn out of an equivalent of $13bn it pledged to all coalition forces. Meanwhile, President Turgut Ozal said the US had agreed to give Turkey $1bn in Gulf aid.

Nasser acquitted

Khaled Abdel-Nasser, eldest son of the late Egyptian president Gamal Abdel-Nasser, was acquitted of charges of criminal complicity in the murders of Israeli diplomats in the mid-1980s. Page 4

Pavlov meets miners

Soviet prime minister Valentin Pavlov met coalminers' leaders in an effort to end a month-old strike by 300,000 miners that is threatening to cripple the country's ailing industry.

Afghan Scud attack

Mujahideen rebels claimed that Afghan government forces, retaliating after a crushing defeat, fired four Scud missiles at the rebel-held city of Khost, killing 10 people. Page 4

Business Summary

US to identify dozens more companies as Iraqi fronts

The US plans to identify several dozen more companies as fronts and agents of the Iraqi government over the next three weeks, senior US Treasury officials said.

The officials hope publication of further lists will encourage more information about Iraq's financial and arms dealings and discourage such activity in the future. Page 18

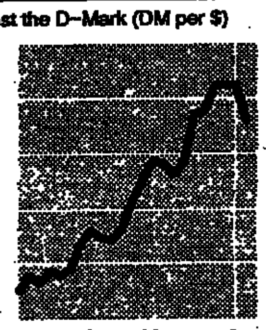
WPP, troubled marketing services group in the final stages of negotiating a $1bn financial restructuring package, is under pressure from its banks to make senior management changes. Page 19

ADT, Bermuda-based security and car auction group, saw the struggle for boardroom control intensify when the company accused its largest shareholder, Laidlaw of Canada, of seeking control. Page 19; Lex, Page 18

DOLLAR: Having failed to reverse a large overnight decline and with some market participants wondering whether the rally which started at the end of the Gulf war may be over, the dollar experienced a volatile session.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

It opened in London at DM1.6610 against New York close of DM1.6795 and previous London close of DM1.7055. Currencies, Page 38

ALCATEL, French telecommunications company, saw net profit surge by nearly one quarter in 1990, helped by the performance of its main business - telephone switching equipment. Page 19

US OUTPUT may have been reduced by between 5 and 7 per cent as a result of the fall in the nation's savings rate during the 1980s, according to a Federal Reserve Bank of New York study. Page 3

AVON Products, cosmetics maker, settled looming proxy battle with Chartwell Associates, partnership which includes the Getty and Fisher families, before serious blows were dealt. Page 21

RUPERT Murdoch, chief executive of News Corporation, said he hoped to announce "a significant asset sale in Australia" within 60 days. Page 22

OLYMPIC AIRWAYS, Greece's national airline, abandoned plans to lay off up to 8,000 ground staff, only a few hours after the cost-cutting measure went into effect. Page 2

UK BONDS: Treasury prices idled in a narrow range amid thin trading with dealers and investors unwilling to take positions ahead of Friday's key employment data. Capital Markets, Page 23

VARIG, Brazilian airline, reported net loss of Cr23.74bn ($103m at official rate). It blamed hyperinflation, recession, the Gulf war and an overvalued cruzeiro. Page 21

BANK Mizrahi, Israel's fourth-largest and up for sale, suffered a 1990 profit cut of 42 per cent to Shk6.1m ($3m) from Shk10.5m in 1989. Page 22

INCHCAPE, international services and marketing group, blamed the strong pound for flat pre-tax profits last year of £174m, ($309.7m). Page 20; Lex, Page 18

Assassination of Treuhand chief highlights German crisis

By David Goodhart and David Marsh in Bonn and Leslie Colitt in Berlin

GERMANS expressed shock and anger yesterday over the murder on Monday night of Mr Detlev Rohwedder, head of the controversial Treuhand agency privatising east German industry. The killing intensified the spotlight on the deepening crisis over the economic plight of the east of the country and the criticism of the Treuhand for its ruthlessness in pruning uneconomic companies.

Mr Theo Waigel, the Bonn finance minister, is to attend an emergency meeting today of the Treuhand executive amid indications that the government would extend its interventionist stance on rebuilding the east German economy.

Responsibility for the assassination of Mr Rohwedder – the latest in a stream of attacks on public German figures in the last 15 years – was claimed by the Red Army Faction urban guerrilla group in a letter left near the scene of the crime.

Mr Theo Waigel, the finance minister, who cut short his Easter holiday to return to Bonn for hasty consultations on the Treuhand's future, condemned the murder as "an attack on democracy." Mr Otto Lambsdorff, leader of the Free Democratic Party, called for tighter security for leading public figures after the killing of a number of establishment figures in recent years.

Detlev Rohwedder who was murdered on Monday

Ministers meanwhile pleaded for a cooling of tempers after recent bitter demonstrations against east German unemployment, which some fear may reach between 40 and 50 per cent by the end of the year. The powerful IG Metall metalworkers union said it was suspending for the time being protest marches in east Germany to allow "time for reflection" after the murder.

The Treuhand, set up in 1990 under the former reformist communist government in East Berlin, has come in for exaggerated blame for east Germany's faltering start in the market economy. But it has gone though several unsettling changes of structure and leadership, and has also been accused of continuing to work with senior officials from the former communist regime.

Criticism of the Treuhand's methods has come from some leading western German politicians such as Mr Hans-Dietrich Genscher, the foreign minister, for its ruthlessness in pruning uneconomic companies.

Mrs Birgit Breuel, deputy president of the agency, said yesterday that the holding company would continue to give priority to privatisation. However, Finance Ministry officials indicated that the government was likely to urge the agency to take a less strict view on closing down uneconomic companies.

The public prosecutor's office said last night that the heavy-calibre shotgun used in the killing at Mr Rohwedder's home in Düsseldorf was the same as that used in an attack on the US embassy in Bonn seven weeks ago.

The assailants fired three shots at Mr Rohwedder in his first floor study from an allotment opposite the house in an affluent Rhineside suburb. Mr Rohwedder's wife was injured but was said to be out of danger in hospital last night after an operation.

Chancellor Helmut Kohl paid tribute to Mr Rohwedder as "a German patriot" and said that the Treuhand would maintain its "path of success."

However, the forceful Mr Rohwedder, who won his management reputation by bringing the Hoesch steel company to health over the last decade, had lately been signalling doubts about the switch in Treuhand priorities away from free-market principles.

Obituary: East Germans stunned, Page 2

Violence sweeps Albania as police fire on protestors

By Laura Silber in Tirana

POLITICAL violence swept Albania yesterday as three demonstrators were killed in clashes in the northern city of Shkoder and riot police opened fire indiscriminately on a crowd of demonstrators in the capital, Tirana.

The violence followed Sunday's election victory for the ruling Communists and was accompanied by a wave of unofficial strikes in the main industrial cities.

The unrest began in Skhoder, 12 miles from the Yugoslav border, after crowds gathered in front of the Communist party headquarters demonstrating against alleged election irregularities.

One of those killed was Mr Arben Broxi, an opposition Democratic party leader in Shkoder, who was allegedly shot in the back when he attempted to mediate between protesters and riot police.

Some reports said the shot was fired from inside the Communist party headquarters, although this could not be confirmed. Earlier in the day, angry crowds had stormed the headquarters and seized arms.

Last night the bloodshed spread to Tirana when 50 heavily armed riot police opened fire on a crowd of about 700 young people chanting pro-democracy slogans near the Democratic party headquarters.

The outbreak of violence intensifies uncertainty about the country's ability to move peacefully towards a parliamentary democracy.

Official results yesterday showed the ruling Albanian (communist) Party of Labour winning 162 of the 250 seats in parliament, with 65 seats going to the Democratic party and the rest to smaller parties.

In Shkoder, Mr Ali Spahija, a doctor, said he saw 30 people injured in the crowd with gunshot wounds, including a 14-year-old boy. Democratic party officials said about 60 people were wounded in the gunfighting.

Nine truckloads of riot police were sent to Skhoder from Tirana and tanks were deployed in the city centre to quash the demonstrations.

Meanwhile, workers went on unofficial strike in the cities of Elbasan, Kavaje and Durres to protest against the Communist victory.

In spite of allegations of election rigging, opposition leaders have decided to accept the election results.

Communists' problem, Page 2

Soviets face empty shelves in shops as well as price increases

By Leyla Boulton and John Lloyd in Moscow

"MY daughter is getting married and I don't know what I'm going to give her," Mrs Nina Moiseeva, a 61-year-old Moscow pensioner, complained. "They've put the prices up and there's still nothing in the stores."

The overwhelming verdict among Muscovites was that the dreaded price increases which came into effect yesterday would have been tolerable had they been accompanied by the arrival of more goods in the shops.

Many stores in the capital were either closed while employees prepared new price tags or – *business as usual* – shelves were bare of items anybody wanted.

The Soviet government says the long-delayed reform, which trebled fixed state prices for bread and meat, is a necessary step to balance demand and supply and create a market economy.

Price increases for a range of foodstuffs, consumer goods and transport, amounting to a 60 per cent increase in the retail price index, are being partly offset by monthly compensation payments of about Rbs60 for wage-earners, pensioners and students alike.

The average Soviet wage is Rbs280 a month and the minimum pension is about Rbs80.

The reform, debated for three years, had until now been put off for fear of a social explosion, particularly in the big cities where supplies are bad.

In Leningrad, the Soviet Union's second city, shoppers rushed to the stores in the hope that basic commodities *would reappear on the shelves.*

"I had hoped that with the price rises I could have at least bought milk for my baby," said Ms Viktoria Dankoklova, a 22-year-old worker at the October clothing factory. "But there still isn't any."

Food has been rationed in Leningrad for four months but even this has failed to stabilise supplies.

One aim of the first big overhaul in state prices in 30 years is to end waste and hoarding.

While people may think twice about throwing away bread or feeding it to animals, the hoarding culture is unlikely to disappear overnight.

"My refrigerator is full of food and I have stored food everywhere in the house," said Mrs Lyudmilla Plotnikova, a schoolteacher, as she toured the Gastronom food store in Moscow's central Kalinin Avenue.

"Our habits will not change until we can know that we can *buy a few things whenever we* want, like you in the west.

"The problem with us is that we buy things in great quantities because it is impossible to queue for a long time and buy just a little."

In GUM, Moscow's main department store, dozens of people queued in front of a jewellery outlet for gold pen

Continued on Page 18

Yeltsin shakes off threat, Page 2

Shoppers queue for milk at a state-owned food shop in Moscow yesterday

United wins schedules battle to begin flights into Heathrow

By Paul Betts, Aerospace Correspondent, in London

UNITED AIRLINES will start flying into Heathrow airport as planned today following a last-minute compromise on the allocation of scarce take-off and landing slots at London's leading airport.

"We have all the slots we wanted to operate our schedule into Heathrow," an official of the US airline official confirmed yesterday.

United recently acquired for $290m the transatlantic route rights into Heathrow of Pan American Airways. A new US-UK aviation agreement also gave United the right to operate flights into Heathrow, but did not include the allocation of slots in one of the world's most congested airports.

The Heathrow scheduling committee, the independent body which allocates slots at the airport, suspended the automatic transfer of Pan Am's 237 weekly slots to United last month because of complaints by other airlines also queueing for rare peak-time slots at the airport.

Virgin Atlantic, the UK airline planning to start long-distance services from Heathrow to the US and Japan this spring, challenged the United-Pan Am slot transfer and threatened legal action.

A compromise was reached after fraught negotiations over the weekend, with the scheduling committee finally agreeing to transfer the Pan Am slots to United to enable the US carrier to start its new Heathrow operations on time.

In turn, Virgin was given assurances that sufficient slots would be found in the next six weeks to allow the smaller UK carrier to begin services from Heathrow to Tokyo, New York and Los Angeles.

Mr Richard Branson, Virgin's chairman, said yesterday he had told the scheduling committee that Virgin would withdraw its objection to the Pan Am slot transfer and would not take legal action to stop the new United flights.

"While we will not achieve everything we wanted immediately, we are pleased to say that we should be able to mount three of our routes from Heathrow this spring," Mr Branson said. But he warned that Virgin would fight any attempt to treat the United case as a precedent.

"We feel that an equitable method of slot allocation must be found before the proposed TWA-American route transfer is considered," he said, referring to TWA's proposed $445m sale of its London routes to American Airlines.

Mr Branson said the UK government's latest efforts to increase airline competition by opening Heathrow to new carriers would work only if slots were available to allow new airlines to offer competitive new services from Heathrow.

The arrival of United and possibly American later this summer will intensify competition for British Airways in its home base.

United is starting flights to Heathrow from New York-JFK, Washington, San Francisco and Miami this week and intends to begin flights from Newark, Los Angeles and Seattle later this month.

How TWA flew into trouble, Page 16

CONTENTS

Removing the spectre of corruption from Argentina

President Carlos Menem has fired three cabinet ministers and dozens of senior aides suspected of corruption so far this year. But convincing a sceptical public of the government's intentions is proving difficult Page 3

MARKETS

STERLING
New York lunchtime:
$1.7705
London:
$1.768 (1.739)
DM2.97 (2.965)
FFr10.065 (10.055)
SFr2.5225 (2.53)
Y244.75 (245.5)
£ Index 92.7 (92.4)

GOLD
New York: Comex Jun
$360.6 (362.4)
London:
$357.75 (355.85)

N SEA OIL (Argus)
Brent May
$18.025 (18.125)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6785
FFr5.691
SFr1.4245
Y138.3
London:
DM1.6805 (1.7055)
FFr5.6925 (5.7825)
SFr1.427 (1.455)
Y138.5 (141.15)
$ index 65.6 (66.3)
Tokyo close: Y139.13

US lunchtime rates
Fed Funds $6\frac{3}{8}$%
3-mo Treasury Bills:
yield: 5.993%
Long Bond:
96
yield: 8.23

STOCK INDICES
FT-SE 100:
2,488.3 (+31.8)
FT Ordinary:
1,985.9 (+32.0)
FT-A All-Share:
1,205.28 (+1.0%)
New York lunchtime:
DJ Ind. Av.
2,902.23 (+21.04)
S&P Comp
374.31 (+3.01)
Tokyo: *Nikkei*
26,252.0 (+244.6)

LONDON MONEY
3-month interbank:
closing $12\frac{3}{8}$% (same)
Liffe long gilt future:
Jun $92\frac{9}{32}$ ($92\frac{13}{32}$)

Tr... ...ficial lays part of the blame at the door of 'some politicians and trade unions' for stirring up passions

East Germans stunned by murder of Rohwedder

By Leslie Colitt in Berlin

A TREUHAND official yesterday blamed "some politicians and trade unions" in Germany for stirring up passions to the point where Monday night's assassination of Mr Detlev Rohwedder, head of the privatisation agency, was possible.

"They portrayed him as the Treuhenker (hangman)," he said, in a play on words, while acknowledging that there was no direct causal link between the heated atmosphere and the terrorists' action.

Although many east Germans blame the Treuhand for the collapse of still-viable companies and for soaring unemployment, they were stunned by Mr Rohwedder's killing.

Outside the Treuhand headquarters on east Berlin's Alexanderplatz, a middle-aged woman said she had lost her job with the bankrupt Stern Radio company "with Treuhand's help." But this was no reason for Mr Rohwedder to "pay with his life."

An official of Interflug, the now defunct east German airline, said that the Treuhand had played a role in the company's demise. "But Mr Rohwedder probably only carried out orders from Bonn," he said. The ailing airline went of business last month after failing to find a buyer.

Ironically, a statement issued by the Treuhand yesterday said Mr Rohwedder had used his authority and experience to achieve "socially-compatible and just solutions" in negotiating an agreement with the German Trade Union Federation (DGB) and one of its member unions, the Union of Employees (DAG).

Mr Rohwedder sent a memorandum to all Treuhand employees on his "thoughts for the forthcoming Easter holidays" just before leaving Berlin. This was now being referred to by Treuhand officials as his "last will and testament."

In it, he commented that the Treuhand's mission remained the same – "eliminating the state economy as swiftly as possible and finding new entrepreneurial owners."

But, in accordance with the government's new Recovery East programme, the pace would be moderated and the social, economic and financial consequences taken into consideration.

Mr Wolf Schöde, the Treuhand's chief spokesman, said yesterday that Mr Rohwedder, with years in both government and industry, would be extremely difficult to replace.

There were enough "brave people" in the Federal Republic who would be willing to take on his job but he knew of none with his unique qualifications.

Mr Rohwedder was "discreetly" protected by security officials while at work in east Germany but Treuhand officials would not say what security provisions were made for him when he returned home to west Germany.

ATTACKS ON LEADING GERMAN FIGURES IN PAST 14 YEARS

April 7 1977: Siegfried Buback, chief German public prosecutor, shot dead in car attack.
July 30 1977: Jürgen Ponto, chief executive of Dresdner Bank, murdered at home.
October 19 1977: Hanns-Martin Schleyer, president of German Employers Association, found murdered after kidnapping.
February 1 1985: Ernst Zimmermann, chairman of Motoren- und Turbinen-Union (MTU), shot dead at home.
July 9 1986: Karl-Heinz Beckurts, Siemens board member responsible for research, killed by car bomb on way to work.
October 10 1986: Gerold von Braunmühl, head of Foreign Ministry's political department, shot dead near his home.
September 20 1988: Hans Tietmeyer, state secretary at Finance Ministry, narrowly escapes assassination attempt near his home
November 30 1989: Alfred Herrhausen, chief executive of Deutsche Bank, killed by car bomb on way to work.
April 25 1990: Oskar Lafontaine, SPD candidate in general elections, stabbed at election rally *.
July 27 1990: Hans Neusel, state secretary at Interior Ministry, narrowly escapes car bomb attack.
October 12 1988 Wolfgang Schäuble, interior minister, lamed in shooting at election rally *.
April 1 1991 Detlev Rohwedder, head of Treuhand agency, shot dead at home.
** Attacks by mentally disturbed assailants. All other attacks attributed to Red Army Faction members.*

A tough business mind behind a thoroughly cosmopolitan manner

MR DETLEV ROHWEDDER represented much of what is best in German business life. He was typically unflamboyant, but with a sharp, analytical, business mind and an ability to take hard and unpopular decisions. This he showed both in the restructuring of the Hoesch steel company and more recently as head of the Treuhand agency.

He was also thoroughly cosmopolitan, speaking excellent English and French, and a well-known ambassador for his country on the international conference circuit.

His rather transatlantic manner, acquired during a year studying at Berkeley in California in 1960, did not, however, preclude a sense of patriotism, as he demonstrated by taking on the most thankless task that German industry had to offer in August last year in response to Chancellor Helmut Kohl's appeal.

He was due to have given up the job at the end of last year, having established the Treuhand's structure and free-market principles. But again, the son of a bookseller born in Gotha, in east Germany, allowed himself to be persuaded to carry on.

In two respects he was perhaps not typical of his fellows. First he possessed a charmingly dry sense of humour and second he was a German rarity in combining business and politics, something which increased his suitability for the Treuhand hot-seat.

After qualifying as a lawyer he rose to head the legal department of a large accountancy firm in Düsseldorf from where he was plucked in 1969 by Mr Karl Schiller, then the Social Democrat (SPD) economics minister, to become a state secretary in the Economics Ministry. He stayed there for 10 years before taking over at Hoesch in 1980.

Although somewhat distanced from the SPD, he remained a pro-market social democrat, like his mentor Karl Schiller, and had a low opinion of the centre-right coalition's handling of the early stages of economic union, a view he did not hide.

This willingness to express his opinions forcibly won him enemies, who complained of his arrogance, as well as friends. Partly for that reason he became the focus for many of the recent attacks on the Treuhand.

He remained convinced that German economic unity must not be an all-German affair and must not abandon a commitment to competition.

While only too aware that political and economic rationality do not always coincide, he would have almost certainly fought a rearguard action against excessive abuse of market principles in the coalition's current attempts to turn the Treuhand into a "super-ministry" with priority given to industrial policy rather than privatisation.

Mr Rohwedder, 58, was known and respected by many British businessmen and was a long-standing and active member of the German-English Society. He leaves behind a widow, Hergard, a lawyer, and two children, Phillip and Cäcilie, both studying in the US.

David Goodhart

Mr Detlev Rohwedder pictured with his wife Hergard at the Bonn press ball last November

Companies tighten security but cannot guarantee safety

By Andrew Fisher in Frankfurt

THE PRICE that Germans have to pay for prominence in public life – especially in politics, business or banking – has been viciously borne out by the murder of Mr Detlev Rohwedder.

Although his attackers managed to find a spot near his house in a wealthy Düsseldorf suburb from where they could fire through a window, the security measures attending most Germans in need of protection have been tightened up considerably in recent years.

Not surprisingly, security is a topic on which companies are reticent. Some measures are obvious enough: guards and security staff, alarms, bullet-proof glass, and special barriers screening off directors' offices.

At some companies, outsiders must hand in their identity cards or passports in exchange for visitors' tags. To get these back, visitors have to return the tags; this is so that they are not taken outside the building where they could fall into the wrong hands.

It would be almost impossible for a terrorist to penetrate the headquarters of a company like Daimler-Benz, Siemens, Lufthansa or Volkswagen and both find and enter the directors' offices. The big commercial banks in Frankfurt have especially vigilant security, as does the Bundesbank, the central bank.

Extending security beyond the office is a very different matter. Some companies insist that their executives arrive at the office by a different route each day, also varying the time.

At concerns like Daimler, Siemens, Deutsche Bank, and Dresdner Bank, all of whom have lost top managers to terrorists, security has been a way of life for some time.

For people already working long hours, travelling extensively, and seeing little of their families, the elaborate security is obviously an extra burden, both physical and psychological. More and more people who may be on the terrorists' target list are installing bullet-proof glass in their houses and following the advice of security experts.

Mr Rohwedder, however, chose to do without the full panoply of safety measures. His address was even in the Düsseldorf telephone book, though not in this year's edition.

Such distaste for heavy security points up a dilemma for Germans in top positions. "We are incredibly security conscious," said a spokeswomen for Daimler. "But we know there is no such thing as absolute protection. Then, people would have no private life at all."

The last terrorist murder, for whom no-one has yet been caught, was that of Mr Alfred Herrhausen, the chief executive of Deutsche Bank, late in 1989. His Mercedes limousine had armour-plating and bullet-proof glass, but that was not enough to protect him from the assassins' bomb.

Mr Hilmar Kopper, his lower-profile successor, says he tries not to let the array of security measures prevent him from leading a normal life.

In the pretty hillside villages outside Frankfurt, police cars patrol areas where bankers live. Plain-clothes guards in unmarked cars also watch over houses of potential targets. One leading Frankfurt businessman used to walk to work from his house in the city centre. But since Mr Herrhausen's murder, this brief morning exercise has had to be dropped.

Yeltsin shakes off communist threat

By John Lloyd in Moscow

EFFORTS by communist hardliners to remove Mr Boris Yeltsin, the Russian leader, from power fizzled out on the sixth day of the special congress of the Russian parliament yesterday.

The collapse of the attack came as miners' leaders gathered in the Kremlin for talks with the Soviet President and Prime Minister on a strike which, though partial, is slowly throttling the heavy industrial sector.

The communists' hopes were extinguished in an overwhelming vote against a proposal to take a motion of no confidence in Mr Yeltsin, who is officially chairman of the Russian parliament. Immediately afterwards, Mr Ivan Polozkov, head of the Russian Communist party, publicly threw in the towel by admitting: "I think that now is not the time for change in the leadership of the parliament. Do not blame the communists. They are doing constructive work."

Although Mr Yeltsin has been prevented from carrying through the referendum vote in favour of creating a popularly elected presidency for Russia, he has clearly strengthened his position. At the same time, a growing sentiment has emerged favouring consensus and coalition.

The leaders of the three independent parties represented in the Russian parliament – the Democratic Party, the Social Democratic Party and the Republican Party – called again for a round table and the formation of a coalition government for the Soviet Union. Mr Oleg Rumyantsev, the social democrat leader, said it was the only chance of avoiding "revolutionary chaos" in the country.

Some 170 communist deputies in the Russian parliament announced the formation of a new group – Communists for Democracy – which will support Mr Yeltsin's policies.

The meeting with miners' leaders, scheduled to last for several days, brought Mr Mikhail Gorbachev, the Soviet president and Mr Valentin Pavlov, the prime minister, face to face with nearly 200 representatives of striking and working miners.

The two Soviet leaders, who had previously refused to meet the strike leaders, have started talks on condition that the miners' political demands, for the resignation of the President and the Supreme Soviet, are not on the agenda.

Editorial Comment, Page 14

Commission in flap over frozen birds

By Andrew Hill in Brussels

THE GERMANS are in trouble with the European Commission for allegedly discriminating against other countries' frozen chicken.

Brussels yesterday accused them of illegally supporting sales of domestic "spray-chilled" chicken. That is a method of cooling also used by other European Community countries exporting poultry to Germany. Such chickens carry a blue triangle in Germany and the words "Guaranteed – special individual cooling".

The Commission claims the Germans are discriminating against foreign spray-chilled poultry by imposing technical conditions which mean, in effect, that only German chickens can win the blue triangle.

Opening an investigation into potentially illegal state aid, the Commission alleges that the German authorities have compounded the offence by mounting an advertising campaign for blue-triangle chickens, leaving the imported variety out in the cold.

The Commission is also worried that the aid for German frozen chicken producers may be partly financed by taxes on produce from other member states in further breaches of the Treaty of Rome.

Craxi is joker in Italian reshuffle

Haig Simonian on who wants what in new coalition negotiations

NO-ONE is better placed than Mr Bettino Craxi, the leader of Italy's Socialist Party, which last week forced the collapse of the country's 49th postwar government, to say whether the new coalition will be more than a carbon-copy of its predecessor.

With talks between the parties due to start today and to be concluded by Friday, much will depend on Mr Craxi's willingness to go along with a new government headed by Mr Giulio Andreotti, the outgoing premier, or force early elections.

The Socialists have been playing their cards close to their chest. What they do want – a measure of institutional reform, the most important part of which is a referendum on an elected presidency – is not in doubt.

Thus the Socialists, and Mr Craxi in particular, have been among the most clamorous supporters of the efforts by Mr Francesco Cossiga, the president, to become more involved in everyday politics rather than being the figurehead the presidency has become.

Socialist leaders have been praising the president's highly unorthodox interventions in party-political affairs, and strongly backing his calls for a stronger presidency to force the political parties into showing greater discipline to tackle pressing issues.

To what extent Italy's increasingly volatile president is deliberately being allowed by the party leaders to dig his own grave is one of the key background issues in the crisis – not least given the fact that both Mr Craxi and Mr Andreotti would like to inherit his job.

How far the Socialists will accommodate themselves to the efforts this week to assemble a new coalition is the other.

> While the other four parties in the coalition are at pains to avoid an early election, the Socialists may see themselves as the biggest beneficiaries

For while the other four parties forming Mr Andreotti's 20-month-old government, which fell last week, are at pains to avoid elections before the current legislative period expires in June 1992, the Socialists may see themselves as the biggest beneficiaries from early elections.

All of the country's established parties have become anxious about rising support in northern Italy for region-based leagues or political parties seeking regional autonomy.

In regional elections last May, the Lega Lombarda, the biggest of the northern leagues, headed by Mr Umberto Bossi, gained about 19 per cent of the vote in Lombardy, Italy's richest region. One newspaper opinion poll this week showed 9 per cent of the votes going to the leagues at national level, giving them about 60 seats, in the event of early elections.

While a loss of votes to the leagues is as much a risk for the Socialists as for the other coalition partners, Mr Craxi may be betting that a shift from disgruntled supporters of the Democratic Party of the Left (the former Communists) will more than make up for any losses to the leagues.

Hence the same opinion poll had the Socialists and the former Communists with 16 per cent of the vote each. That would represent a further increase for the Socialists, who gained 14.2 per cent of the poll in the general elections in 1987 and 15.3 per cent in the 1990 regional polls.

Armed with such ammunition, Mr Craxi is expected to hold out for substantial concessions in the horse trading that will take place on forming a new government in the next three days.

As matters stand, the parties are fairly wide apart. While there is general agreement on the need to tackle pressing issues such as the budget deficit, organised crime and growing social problems such as pensions and housing, differences are inevitable over substance and timing.

Even more divisive are the parties' views on institutional reform, an umbrella concept that involves a range of constitutional changes including the Socialist desire for a directly-elected presidency, which has so far been opposed by the Christian Democrats.

Meanwhile, the Christian Democrats' own call for modifications to Italy's extreme form of proportional representation are not shared throughout the coalition. And there is a substantial difference of opinion on other issues such as a reform of the country's bi-cameral parliament to make the Senate, the upper chamber, into more of a voice for regional interests.

The fact that Mr Andreotti and Mr Craxi may both want to be Italy's next president, means that reform could prove the sticking point. With the Socialists holding strong cards at present, their willingness to climb down may be in doubt.

Albania's Communists face problem turning victory to advantage

By Judy Dempsey, East Europe Correspondent

YESTERDAY'S violence in Albania represents an ominous break with eastern Europe's generally peaceful transition from communism to democracy via the ballot box.

It also highlights the difficult task now facing the communist Albanian Party of Labour (APL) as it attempts to turn electoral victory to advantage.

As the electoral success of Bulgaria's Socialist (former Communist) Party showed last year, the APL's victory may backfire. In Bulgaria, the ruling Socialist Party (BSP) tried to form a coalition after its victory, partly to obtain a national consensus in order to tackle the economic crisis.

But just as is happening now in Albania, Bulgaria's opposition Union of Democratic Forces ruled out any coalition on the grounds that it did not want to be tainted with sharing responsibility for acute economic and social problems caused by decades of communist misrule.

The attraction for the opposition of joining a coalition in Albania and angling for key ministerial posts would have been enhanced if the Communists had won a smaller majority. But Albania's Communists share the same fate as their Bulgarian counterparts: the margin of victory was too wide.

APL hardline activists (who will dominate the new government) can argue that its mandate is large enough for it to rule alone. But the Bulgarian example, which showed that the ruling Communists were incapable of pushing through fundamental reforms, or of obtaining popular support for their measures, would tend to disprove this.

The street demonstrations which finally forced the BSP to resign last December confirmed its Pyrrhic election victory. Today, Bulgaria has a coalition government headed by a politically independent prime minister.

Despite this precedent, the APL may decide to govern alone. But any new government in Albania can ill afford to ignore the split between town and countryside.

As in Bulgaria, Albania's conservative peasantry, inculcated with decades of propaganda, voted for the communists, while the large towns and cities swung behind the opposition. The mistake Bulgaria's Socialists made was to excluded that swathe of opposition support from the political agenda. If Albania's Communists make the same mistake, they are likely to face even stronger opposition from young people and manual workers in the cities.

The young will try to emigrate, or else remain in Albania in the belief that they can influence change through protests. Such change would include breaking down the *nomenklatura*, the communist-appointed officialdom, and the APL's influence in all work places.

The workers, for their part, will measure change by the availability of food and consumer goods. The pressure for reform rests with these two social groups. But reform will require stability and western financial assistance.

Bulgaria's Socialists received no assistance from the west because they failed to introduce radical economic reforms aimed at paving the way for a market economy. The longer they procrastinated, the greater the speed with which central authority broke down and instability increased.

A similar situation is likely to take place in Albania. Central authority has already broken down; the distribution system no longer functions. Without reforms aimed at attracting foreign investment to modernise a delapidated infrastructure, labour unrest is likely.

Any attempts to suppress these protests could lead to further violence. The choices facing the APL are therefore limited.

Mr Alia, who will remain as president and APL leader even though he and other moderates lost their seats, is expected to try to steer the party along the reformist path upon which he embarked last December.

But as yesterday's events showed, without including the opposition in any agenda, that path to democracy will remain a rocky one.

Croatia pulls back commandos after clash

THE YUGOSLAV republic of Croatia yesterday withdrew police commandos from the Plitvice national park, in which two people were killed in clashes between police and ethnic Serbs, Reuter reports.

They were replaced by 90 federal policemen who would establish a permanent presence there, the Tanjug news agency said.

A Croatian policeman and a Serb were killed on Sunday in a raid on the park to oust ethnic Serbs who had occupied it on Thursday night. Ethnic Serbs, which make up 11 per cent of the republic's 4.5m population, have declared their independence from Croatia and support unity with neighbouring Serbia.

Since the weekend, the area around Plitvice has been teeming with armed Serbs and Croatian police, with federal army units acting as a buffer between the two and air force jets flying overhead.

The army has taken no action so far except staging a show of strength. Earlier in the day, Mr Borisav Jovic, the Yugoslav President, had called a meeting of the collective state presidency, the supreme commander of the armed forces, authorise the army to act if Croatian police were not withdrawn from the park.

Olympic Airways drops staff lay-offs

Olympic Airways, Greece's national airline, yesterday abandoned plans to lay off temporarily up to 8,000 ground staff, writes Kerin Hope in Athens.

The lay-off policy, which executives had earlier called "crucial" to the company's survival, was dropped after union leaders agreed to a two-year wage freeze and promised there would be no strikes this year. Ground staff will also work several days of unpaid overtime during the summer tourist season and accept additional restrictions on fare discounts for their families.

Olympic hoped to save Dr6bn (£19m) this year by laying off most ground staff on half pay for up to three months. After losing an estimated Dr16bn because of the Gulf war, the airline appears to have little chance this year of cutting last year's Dr26bn deficit. Bookings are down by more than 30 per cent.

Poor February for European airlines

International passenger traffic on European airlines fell 24.1 per cent in February compared with the same month last year, according to a report by the Association of European Airlines (AEA) confirming the ferocity of the Gulf war's impact on air transport, writes David Gardner in Brussels.

The figures follow last week's announcement by the International Air Transport Association of a $2bn loss by scheduled carriers in the first two months of this year, with European carriers being the worst hit in February.

The AEA, which groups 22 European airlines, said traffic inside Europe was down 23.4 per cent in February. Flights to and from the Middle East were down by 70.2 per cent, those to the Far East by 30.7 per cent and those on North Atlantic routes by 18.2 per cent.

Polish plea on debt to Soviet Union

Poland will ask the Soviet Union this week to follow the lead of western government creditors who recently agreed to reduce Warsaw's debt burden by half, writes Christopher Bobinski in Warsaw. Poland owes the Soviet Union $1.7bn with capital repayments due by 2003.

Mr Jan Krzysztof Bielecki, the Polish premier, who starts a two-day visit to Moscow today, will ask Mr Valentin Pavlov, his Soviet counterpart, to consider a reduction.

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US output 'hit by fall in savings'

By Peter Riddell, US Editor, in Washington

US OUTPUT may have been reduced by between 5 and 7 per cent as a result of the fall in the nation's savings rate during the 1980s, according to a study by the Federal Reserve Bank of New York.

Writing in the winter 1990-91 issue of the New York Fed's Quarterly Review, economists Ethan Harris and Charles Steindel argue that any measure of saving related to the acquisition of productive assets showed a clear decline in the 1980s.

Household saving averaged just 3.8 per cent of gross national product in the 1980s (and was even less in the second half of the decade), compared with a 5 per cent average over the previous 30 years. Corporate saving has also fallen and the government deficit risen. The overall net national savings rate was 3 per cent in the 1980s, against a historical average of 7.5 per cent.

Depending on the measure used, the fall in savings has cost the US the equivalent of 15 per cent of its capital stock which, on present trends, could rise to 28 per cent by the end of the century. The respective losses in output are 5-7 per cent now and 10-15 per cent by the end of the century.

Temporarily higher personal consumption has been gained at the cost not only of lost output but also a substantial worsening of the US's external debt position. The savings rate would have to climb 5.5 percentage points, as a share of GNP, to offset the decline of the 1980s, restore the trend in capital growth and end the deterioration in the external position.

The authors argue that most of the gap could be closed by balancing the federal budget (excluding the social security surplus). The goals in last October's budget agreement go two-thirds of the way in that direction. This will require lower current consumption.

However, a higher level of savings will not mean an end to the gross inflow of foreign capital, though it would probably reduce the US's net foreign indebtedness.

Moreover, the growth benefits of higher saving could be greatly increased by eliminating tax distortions favouring less productive investments.

Menem: has fired dozens of aides suspected of corruption

Menem's clean image burns as Argentina fidd[...]s

John Barham on the corruption that is undermining economic reform

ARGENTINA'S Catholic church said recently that corruption had always existed in the country, "except that it has become generalised now". Far from protesting the accusation from one of the most powerful sectors of society, a humbled President Carlos Menem said he fully agreed.

An image of rampant corruption, compounded by two months of high inflation, has made Mr Menem's government deeply unpopular. While there is strong public support for his fourth economic stabilisation plan, implemented on Monday, Mr Menem is still struggling to convince a sceptical nation that he is also attacking corruption.

He repeats almost daily that his privatisation and deregulation policies are reducing the scope for bribery and pleads for the public to help him fight corruption. So far this year he has fired three cabinet ministers and dozens of senior aides suspected of corruption and launched several corruption investigations.

Mr Menem considered corruption a serious problem only after the US embassy publicly complained in January that an unnamed official had asked an American company for a bribe. The scandal touched off a purge of ministers and aides close to Mr Menem suspected of corruption in the privatisation programme, in awarding investment incentives, or maladministration of government money.

But still he cannot rid the government of its reputation for corruption. A recent opinion poll found that more than half the population thinks corruption has never been worse and 66 per cent believe Mr Menem's assault on it is only a public relations exercise.

No senior official has been charged with corruption, many individuals with doubtful pasts remain in government, while most of those Mr Menem sacked were dumped more for political reasons.

Argentines had hoped Mr Menem, who took office in 1989, would decisively combat perennial government corruption. Instead, the entire system of government has become even more discredited.

Even Mr Domingo Cavallo, the economy minister, who is recognised to be as honest as he is supremely ambitious, is struggling to regain the public's trust in the government.

Corruption is both a cause and effect of Argentina's political and economic instability. A despairing justice ministry official said it was "a cultural phenomenon". An underpaid civil service with broad discretionary powers, combined with a weak judiciary and a history of insecure governments has allowed corruption to flourish in Argentina for generations.

A government that is both unable and unwilling to enforce the rule of law naturally finds it difficult to implement its own policies. By one estimate, only one in 25 Argentine families bothers to pay income taxes.

A diplomat commented: "This new stabilisation plan depends on the government having the political will to collect taxes and control spending, which it has never managed to do in the past mainly because the machinery of government is so corrupt."

The police, the military, the bureaucracy, the business community are all riven with corruption. Financial managers demand "commissions" from banks in return for their company's deposits.

Twenty judges face charges of colluding with plaintiffs in an avalanche of class action suits brought against state companies in attempts to extort some $9bn from the government.

Mr Luis Barrionuevo, a trade union leader, explained in a celebrated radio programme last year how he and other labour barons habitually took kickbacks. Journalists are often paid to write flattering articles about companies or politicians. Foreign investors are warned to choose their local partners carefully and to bribe with caution.

A diplomat said: "In most places when you buy someone he's yours. But here they don't stay bribed; they take money from both sides."

Corruption undoubtedly discourages foreign investment. However, Europeans are understanding of the "costs" of doing business. These costs may be tax-deductible for some foreign companies, though the Foreign Corrupt Practices Act forbids US companies from bribing anybody.

The central bank hopes to recover more than $100bn it "lost" during the 1980s through capital flight and a myriad of generally corrupt practices. It claims businessmen looted 80 per cent of the money. The "loss" dwarfs Argentina's unpayable foreign and domestic debts. Yet many of those implicated remain respected establishment figures.

Fresh decline in US goods orders

By Michael Prowse in Washington

NEW orders for US manufactured goods fell 0.5 per cent in February to $233.2bn, the Commerce Department said yesterday.

Orders have fallen every month since October and are now 8.5 per cent below their peak. The latest decline was sharper than expected and indicates that most US manufacturing companies remain in recession. Other economic indicators, however, such as data on the housing market, are tentatively signalling a recovery this summer.

The figures indicate that the easing of US monetary policy may be softening the impact of recession. Orders for durable goods – those most sensitive to interest rates – fell only 0.3 per cent in February compared with 2 per cent in January.

Most analysts are likely to reserve judgment on the severity of the recession until Friday when the March employment figures are due.

Grumman cuts jobs

Grumman, the US aerospace and defence group, is to cut its workforce by about 1,900 jobs this year, with 600 to 700 of the cuts coming through non-replacement and the rest through redundancies, Reuter reports from New York. The company cited deep reductions in the defence budget and the need to be competitive.

Right-winger's murder raises fears of terrorist campaign in Chile

MR Jaime Guzman, a right-wing senator and supporter of Chile's former military government, was shot dead on Monday night by terrorists apparently seeking to destabilise the country's fledgling democracy, writes Leslie Crawford in Santiago.

Mr Guzman, 44, was the leader of the small but vociferous Union of Independent Democrats (UDI). He was a brilliant constitutional lawyer and the chief ideologue behind the military's 1980 constitution, which remains in force today.

Mr Guzman was a controversial figure in Chilean politics. He had recently voted against a constitutional amendment to allow President Patricio Aylwin to pardon political prisoners jailed under the 1973-90 military government. He had also claimed that the official report on human rights under the military, presented to the president last month, was flawed and inaccurate. Marxist guerrillas, and not the military, were responsible for provoking violations against human rights, he believed.

Mr Guzman was shot by two gunmen at point-blank range as he left Santiago's Catholic University, where he had been lecturing. He died in hospital. Responsibility for the attack was claimed by phone callers who said they were members of the Lautaro Front and the Manuel Rodriguez Patriotic Front, two extreme-left guerrilla groups.

The government, however, is treating these rival claims with scepticism. It believes that the assassination could have been carried out by right-wingers who have a vested interest in seeing democracy fail in Chile.

There has been an escalation of terrorist violence in Chile since President Aylwin published the independent report on the human rights abuses committed under General Augusto Pinochet's dictatorship. Mr Guzman is the third fatality. A police inspector and a military doctor accused of supervising torture sessions have also been murdered.

Gen Pinochet last week rejected the human rights report. He refused to ask forgiveness for the human rights crimes committed under his rule and denied that the report had any historical or juridical validity.

Overhaul urged of Group of Seven

By Michael Prowse

SWEEPING reforms to improve economic co-ordination between industrial countries were urged in a report yesterday from the Institute for International Economics.

The Washington-based think-tank says the Group of Seven (G7) industrial countries should be shrunk to a Group of Three, consisting of the US, Japan and a single European representative. It also recommends a bigger role for central bankers to reflect the primacy of monetary policy as a tool for guiding economies.

The G7, or a slimmed-down organisation, also needs a permanent secretariat to improve its "institutional memory". This could be provided by the International Monetary Fund.

The report says economic co-operation has relied too heavily on currency intervention. More attention needs to be paid to economic fundamentals, such as budget deficits.

Industrial countries should also strengthen the mechanisms for implementing agreed policy changes.

The report was written by Ms Wendy Dobson, a Canadian economist and former senior civil servant or "sherpa" at G7 meetings.

The present G7 members are the US, Japan, Germany, France, Italy, the UK and Canada. The study says a Group of Three would be a "more manageable and effective institution". It would be feasible as soon as the European Community achieved its planned economic and monetary union. Europe would be represented by the president of the new European central bank and by a single, rotating finance minister from member countries.

Economic Policy Co-ordination: Requiem or Prologue? Institute for International Economics, 11 Dupont Circle, NW, Washington DC. $11.95

Collor turns up 'a new type of crime'

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Fernando Collor seems to have taken on more than he bargained for with his latest drive to enhance his image.

What started as "a hunt against the maharajahs" (Brazil's overpaid and underworked civil servants) has turned into controversy over what the presidency claims is a $4bn (£2.2bn) social security fraud.

Action centres round the Rio-based National Social Security Institute (INSS) which administers Brazil's social security and pension fund. The multi-billion-dollar fund, with 25m contributors and 13m beneficiaries, has for 10 years been subject to fraudulent-claim inquiries.

Two weeks ago, when an opposition MP made public a list, produced by the fund, of 315 "super-maharajahs" receiving pensions of more than Cruzeiros 850,000 (£2,048) a month, President Collor sent Mr Antonio Magri, labour minister, to investigate.

But investigations by Brazil's biggest TV network showed many of those named were only receiving a fraction of the alleged amounts, and others had long since died. Top of the list, with an alleged pension of Cruzeiros 14m (£33,734) a month, was a former RAF pilot, who, it turned out, had received nothing for nearly a year and until then, had only been getting $570 (£322).

Police promptly arrested a group of alleged fraudsters led by an ex-military-police lieutenant operating under cover of a private school, said to be giving lessons in falsifying social security claim forms.

"We have turned up a new type of crime in Rio," Mr Magri said. "Organised crime in the social security fund is enormous." The minister, under police protection after receiving death threats, has until today to report, in line with a deadline from the president.

Angered by the growing confusion, the president has dismissed all four directors of the fund, including its auditor, who claims he is being used as a scapegoat.

Roger Cooper leaves the country he loves

By Robert Graham

RARELY has the label of businessman been so improbably applied as in the the case of Roger Cooper. Yet throughout his five-and-half-year captivity in Iran, this is how he has been described to the outside world.

Mr Cooper, aged 55, is a complicated mixture of scholar and polymath adventurer from a colourful family of distinguished intellectuals and scientists. (His uncle was the poet and writer, Robert Graves).

A convert to Islam on his first marriage to an Iranian, he is one of a handful of Europeans with a profound understanding of the Persian language and the complex nature of Iranian society.

He had lived in Iran for much of the 1960s and 1970s, surviving on a combination of journalism, translation, and consultancy. Until the 1979 Revolution, his house in downtown Tehran, close to the Prime Minister's office, was one of the city's more exotic venues. Here amid a profusion of worn carpets and dogs, Roger would cook for a polyglot group of invitees and auto-invitees, who on any day could include one or two western ambassadors, a visiting Persian scholar, Iranian lawyers and writers and a group of British lorry drivers.

Whether it was the lorry drivers who had met Roger, unmistakeably English, riding on a bicycle in the terrifying Tehran traffic, the western ambassadors or local intellectuals, all sought advice in how to deal with the system (the rules of politesse, the pecking order, the small flatteries).

They also wanted access to his extensive contacts at all levels of society. Roger could manage to persuade the most reserved of Iranians to admit his private misgivings – especially about the late Shah's dream of The Great Civilisation.

The Khomeini revolution obliged him to decamp to London; but he never lost his curiosity or affection for Iran. Nor from his press conference yesterday does it seem prison has removed this. But if he carries any blame for unjust imprisonment and his appalling ordeal, it is perhaps for having presumed his own knowledge of the country and people would enable him to navigate the treacherous factional feuds of Ayatollah Khomeini's regime.

At the time of his arrest in December 1985 he had entered Iran acting for McDermott International, the US oil services company, and had over stayed his visa deadline. But he had also just used his charm and skills to convince the revolutionary authorities to advertise in a special Financial Times survey on Iran.

As he said yesterday, in many ways he presented the ideal identity-kit on which to pin a spy charge. He had studied at Oxford, had become involved as a student in the Hungarian uprising of 1956 (the Hungarians briefly imprisoned him), he did his national service in the British Army's intelligence corps and then went on to study Farsi, Iran's principal language. During the Shah's rule, he was in no way connected to the regime; but on occasions translated official documents (he continued his translations in prison).

The spying charges were never proven or indeed made public by the Iranians. It was typical of Mr Cooper's litigious obstinacy to continue challenging this absence of proof and during the past two years he has consistently campaigned to prove his innocence according to Iranian law. It is still therefore unclear why he was arrested.

In 1985 when he returned on this particular occasion, copies were circulating of a report he had written in the UK on the persecution of the Bahai religious minority in Iran. He also may have fallen victim to internal rivalries, provoking what was originally a fairly motiveless arrest into long term incarceration.

Iraqi 'front men' protest their innocence

By Jimmy Burns, Andrew Jack, Christina Lamb, Clay Harris and Paul Abrahams

A FLURRY of press statements, fax messages, and phone-calls echoed around the world yesterday as companies and individuals reacted with anger and apprehension to their inclusion in a US list of alleged "fronts and agents" of the Iraqi government.

On Monday, Mr John Robson, the US treasury secretary, said that naming the 52 businesses and 37 individuals struck a blow at Iraq's subterranean network in the world of arms trading and clandestine financial operations.

The list included a number of companies whose assets have already been frozen or against whom legal proceedings are under way.

But it also appears to have included substantial errors of detail, not least the naming of companies who are so convinced of their innocence as to be prepared to take the US government to court in order to prove it.

Those claiming innocence yesterday included Mr Joaquim Ferreira Amaro, president of the Banco Brasiliero-Iraquiano (BBI), who said he intended to sue the US for "compensation for damage to our honour and credibility".

The US Treasury has named Mr Ferreira along with six of his staff, past and present on its list. But the bank president, whose institution is controlled equally by the state-owned Bank of Brazil, the country's largest bank, and the Iraqi state-owned Rafidain Bank, insisted yesterday that in nine years of operation in Brazil the bank had never financed arms exports or undertaken any illegal operation for the Iraqi government.

He added that all financing to Iraqi companies importing Brazilian products had been cut off after the trade boycott was announced in August.

Mr Ferreira said: "I was completely stupefied by the news. The US Treasury can't just bring accusations against institutions and people and publish them in the press without proof. It seems they just picked on names of any institutions connected with Iraq which had accounts in the US."

Similar sentiments were expressed yesterday by British companies which make up the majority of the companies listed on Monday.

Professor Peter Toyne, chief executive of Liverpool Polytechnic, which is a shareholder in PMK, one of the companies named, said he was considering contacting President Bush and requesting a formal apology.

Aided by grants from the UK's Department of Trade and Industry, PMK was set up by the polytechnic with two members of its electronics faculty to provide equipment for researchers at the University of Technology in Baghdad to make silicon chips.

Professor Toyne and senior executives of Qudos, the subcontractor to PMK on the same project also on the US list, said that they had obtained full clearance on the project both from the DTI and the US Department of Commerce.

Because the companies depend on US technology, they now fear they could go out of business unless the US administration clears them from the list.

Fears of irreversible damage to future business was shared by several other companies yesterday including, Reynolds and Wilson, a UK engineering company whose Iraqi-born owner Dr Faiz Nahab yesterday repeated denials that he had done anything illegal.

Mr Nahab said last night: "These allegations are hurting the company... We therefore look towards the British government for protection against unfounded accusations that, we have no doubt, will result in a detrimental effect on the company business with banks and suppliers."

Information provided on the list by the US Treasury is in some instances so vague that concerns with no links whatsoever with Iraq appear to have been caught up in the controversy. Some companies have either been misnamed or no longer exist.

The administrators and former directors of Dominion International Group, a UK based financial services and property group which collapsed in January 1990 were among those perplexed by their inclusion on the list.

Price Waterhouse, the accountancy firm which has been responsible for Dominion's affairs for the past 14 months, said the company had had no dealings with Iraq since it was placed in administration on January 22 1990.

One executive of a small UK company named on the US list summarised the mood last night: "I can't understand what the hell is going on... where are the big names that traded with Iraq?"

Bush holds back on Middle East visit

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush is delaying a decision on a visit to the Middle East until he sees the outcome of preliminary initiatives in the region involving senior US officials.

The White House confirmed yesterday that Mr Brent Scowcroft, the president's national security adviser, had visited Saudi Arabia for two days last week at the request of King Fahd. It is not clear whether he visited any other countries.

Apart from the Iraqi civil war, Mr Scowcroft is believed to have discussed some of the ideas on Gulf security arrangements and the Arab-Israeli peace process which Mr James Baker, the secretary of state, raised during his trip to the region in mid-March.

President Bush had been planning to visit Saudi Arabia, Kuwait, Egypt and possibly Israel towards the end of this month. But none of the usual advance planning has taken place and administration officials are reluctant to go ahead with the trip unless there are signs that substantial progress can be achieved, notably via confidence building moves between Israel and Arab states.

In particular, the US is looking for some moves by Israel in relation to the Palestinian problem which might be co-ordinated with positive actions by Arab countries. But there has been some friction between the US and Israeli governments over the tough actions taken by Israel over Palestinian unrest.

It is possible that Mr Baker may make another trip to the region before Mr Bush decides on his plans.

Mr Bush wrote over the weekend to the Emir of Kuwait, stressing the need for political and economic reform in the country. There were reports that the president urged the Emir to allow a more pluralistic system in Kuwait and referred also to the desirability of elections. A White House official said obviously the US was "for democracy. We'd prefer change but the pace of it is for the Kuwaitis themselves to decide."

Reuter adds from Riyadh: Iraqi soldiers have crossed into a security buffer zone near the Iraq-Kuwait border and have been asked by US troops to pull back.

The incursion, the first of its kind since Gulf War hostilities halted on February 28, took place just south of of Umm Qasr. A US army spokesman said the Iraqis were expected to withdraw quickly.

Saudi Arabia said to have boycotted some banks

By David Barchard

ROYAL BANK OF CANADA said yesterday that it was investigating reports that it and five other banks have been placed on an unofficial boycott list by Saudi Arabia.

SAMA, the Saudi Arabian Monetary Authority, the kingdom's central bank, is understood to have told Saudi Arabia's 12 banks to consider carefully before doing business with six foreign banks which it feels behaved disappointingly during the Gulf crisis.

Apart from Royal Bank of Canada, the six include Tokai and Sanwa of Japan, the Bank of Montreal, the Bank of Taiwan, and the International Commercial Bank of China, also based in Taiwan.

"We have not been officially informed of any decision but we are looking into the situation," a spokesman for RBC said last night.

SAMA first expressed misgivings about some foreign banks in January when it held a meeting with Saudi commercial banks in Riyadh to discuss how to handle foreign banks which had declined Saudi business in the wake of the Iraqi invasion of Kuwait.

All banks in the Gulf and the Arabian peninsula were hit by a lack of international confidence after the invasion, but the Saudis believe that there were never good grounds for foreign banks reducing their level of activity with banks in the kingdom.

At the time, French as well as Japanese banks were believed to be on the list which had offended the Saudis.

Several possible responses were considered at the January meeting, including a formal boycott. It appears that the Saudis have decided on an unofficial boycott, through verbal instructions to their banks.

"There is nothing official, nothing in writing," one Saudi Arabian joint venture bank said this week. "They simply contacted us and said these six banks treated Saudi banks very badly during the crisis and we think you should think twice about dealing with them."

Nasser son freed on terror charge

By Max Rodenbeck in Cairo

A CAIRO court yesterday acquitted Mr Khaled Abdel Nasser (pictured right awaiting the court's verdict), son of Gamal Abdel Nasser, the late Egyptian President, of involvement in a terrorist cell. But the state security court passed lengthy prison sentences on nine members of Egypt's Revolution, a group alleged to have carried out attacks on Israeli and American diplomats in Egypt.

The convictions included life imprisonment for ring-leader, Mahmud Nurebbin and followed a 39-month trial.

Khaled Abdel Nasser, the eldest son of the charismatic pan-Arabist, who led Egypt from 1952 to 1970, fled into exile when the group was rounded up in September, 1988. His alleged help in financing the group attracted the sympathy of leftist opponents to the regime of President Mubarak.

UN fears refugee flood

The United Nations' main refugee body said yesterday it was bracing for a dramatic rise in the number of people fleeing violence in Iraq, Reuter reports from Geneva.

"Current events are likely to trigger a major influx of refugees, particularly into Iran and Turkey," said Mr Carrol Faubert of the office of the UN High Commissioner for Refugees.

Mr Faubert said at least 50,000 people had already fled into southern Iran to escape fighting in southern Iraq. "Before the Gulf War we made contingency plans for about 35,000 refugees in Iran. That figure has already been overtaken and we now have to be ready for 100,000."

Hurd seeks to rekindle Hong Kong handover talks

By Angus Foster in Hong Kong

MR Douglas Hurd, Britain's foreign secretary, arrived in Hong Kong yesterday pledging to "go to the heart of the matter" and tackle the slow progress on arrangements for the colony's return to Chinese sovereignty in 1997.

But he damped speculation about a breakthrough on Hong Kong's huge airport and port development projects, a source of friction with China. "Breakthroughs don't happen very often in life," he said.

Mr Hurd said the main purpose of his five-day visit to Peking would be to rekindle progress on the handover. There was a choice between co-operation and "the kind of snail's pace we have been in in the last year or so in all those practical matters which need co-operation with China if 1997 is to happen smoothly".

Most questions on the transition, such as those on land use, air agreements and a court of final appeal, are handled by the Sino-British Joint Liaison Group. But the group has made little progress since the 1989 Tiananmen Square crackdown and the British side blames the Chinese for the delays.

Mr Hurd's comments on the airport project, yet to win Peking's approval, were perceived as backpedalling. Peking objects to the HK\$127bn (£9.4bn) airport and port projects because of their cost. China also fears the projects could threaten Hong Kong's financial stability.

Mr Hurd said he was not thinking in terms of concessions to the Chinese and restated the British position of allowing consultation with China but not control by it in the run-up to 1997. China had asked for guarantees on the airport, such as a commitment to keep Hong Kong's reserves above HK\$50bn by 1997.

JARDINE MATHESON LONDON LISTING PLAN CHALLENGED

Jardine Matheson's controversial proposal to shift its primary listing to London may be debated by Hong Kong's Legislative Council, Angus Foster writes.

A debate could add a political angle to an argument which so far has been between Jardine and Hong Kong's regulators. It could also provide the first test of opinion on Jardine's "exempt listing" plan.

Mr Stephen Cheong, a prominent businessman with ties to China, is pushing for a debate later this month and will urge the Hong Kong government not to bow to pressure to give Jardine, or any other company, special privileges. "You can't have your cake and eat it," Mr Cheong said.

Hopes high for Angola peace talks breakthrough

By Julian Ozanne in Nairobi

PEACE TALKS between the Angolan government and Unita rebels aimed at resolving the country's devastating 16-year-old civil war resume today near Lisbon.

Hopes are high for a breakthrough in one of Africa's most destructive conflicts which has suffocated the vast economic potential of the country and wrecked normal life.

Diplomats in Luanda say a preliminary ceasefire could be signed. The talks are being brokered by the Soviet Union and US, which have backed the government and the rebels respectively since 1975.

Both are eager for a ceasefire but problems remain over an election timetable, with the government pressing for three years and the rebel Unita movement calling for 13 months.

A United Nations observer will be at the talks to advise on the technical aspects of a ceasefire.

However, observers in Luanda emphasise that a ceasefire will merely be a first step in a long and complicated process. The transition to peace and multi-party democracy is fraught with dangers, particularly the disarming and demobilising of the armies.

But a ceasefire would allow a start to be made in repairing the legacy of economic and human destruction left by years of intensive military struggle fuelled by South African and Cuban troops and Soviet and US arms.

Angola's vast economic potential in agriculture, minerals and oil is undeveloped. Eighty per cent of the countryside is insecure for agriculture, the rural trade network has disintegrated and the country, once a food exporter, has been forced to import food to feed the urban areas.

An estimated 60 per cent of foreign exchange earnings has been spent on the war effort

An estimated 60 per cent of foreign exchange earnings, about \$3bn last year, has been spent on the war effort. Huge external debts of about \$7bn, including \$3.5bn-\$4bn owed to the Soviet Union, have built up.

According to the United Nations the estimated cost to Angola of the war between 1980 and 1988 was \$27bn-\$30bn as a result of excess defence costs, higher energy costs, loss of merchandise exports, excess transport costs, loss of transit traffic revenues, remittances and rural production and increased expenditure on hundreds of thousands of people displaced from their homes.

Bridges, roads, railways, ports and factories have been under constant rebel attack. A quarter of primary health and educational units have been blown up and a further 50 per cent rendered inoperative by shortages of drugs and personnel. Three quarters of small town and rural water supply systems have been destroyed.

The human cost of the war has been equally severe. At least 50,000 people have had one or more of their limbs blown off, mostly by the thousands of land mines which litter the countryside. Angola's amputation rate is believed to be the highest in the world.

According to the UN at least half a million people died, either direct victims of the fighting or as a result of war-related famine and the collapse of medical services and high rates of malnutrition. At least 600,000 people are displaced and 50,000 children orphaned or separated from their families.

NEWS IN BRIEF

Peking trims taxes to lure investment

LI PENG, China's prime minister, yesterday presented a new tax law to keep China competitive in attracting foreign investment, Reuter reports from Peking. Foreign diplomats and businessmen said that while the new law was a step forward, other new tax regulations planned separately may make it harder for foreign companies to work here. The new income tax law charges all foreign companies – except those eligible for special concessions – at a 33 per cent tax rate.

Soviet-Chinese frontier deal near

China and the Soviet Union have nearly completed talks about their lengthy, disputed frontier and an agreement could be reached quite soon, Mr Alexander Bessmertnykh, the Soviet foreign minister, said yesterday, Reuter reports from Peking. Speaking at the airport before leaving for home, Mr Bessmertnykh said agreement was still needed on only eight sections of the nearly 4,300-mile frontier, one of the world's longest.

Vietnamese oil success

A joint Vietnam-Soviet petroleum venture has achieved surprising outputs, yielding 11,000 tonnes of crude oil a day during the last 10 days of March, Hanoi newspapers reported yesterday, Reuter writes from Hanoi. In the first quarter of 1991, Vietsopetro produced 796,800 tonnes of crude oil, 28,800 tonnes more than projected and an increase of 62 per cent over the same period last year.

Japanese mission for S Africa

Japan's business organisation, Keidanren, will send its first mission to South Africa this month amid calls by businessmen for Tokyo to lift economic sanctions, Reuter reports from Tokyo.

Ethiopian city taken

Ethiopian rebels said yesterday they had captured the capital of Wollega province, 125 miles west of Addis Ababa, Reuter reports from Nairobi.

Afghan city hit by Scud missiles

AFGHAN government forces retaliated for the humiliating loss of Khost garrison by firing four Scud missiles at the city and killing at least 10 people, mujahideen rebels said yesterday, Reuter reports from Islamabad.

It was the first military response by the Soviet-supported government in Kabul since heavy bombing on Sunday night, Mr Najibullah Lafraie, the mujahideen information minister, said in the Pakistan frontier city, Peshawar.

President Najibullah implicitly acknowledged the fall of Khost on Monday night when he declared on television and radio that yesterday would be a national day of mourning for those who died.

He repeated charges that Pakistani artillery and armour had taken part in the assault on the garrison, which lies just 15 miles from the Pakistan border.

Pakistan has rejected the allegation.

Unconfirmed reports said some government forces had been sent to the Paktia provincial capital Gardez which is between Khost and Kabul.

A western diplomat said there was no sign they were preparing a ground offensive to retake Khost, which had withstood almost constant siege in 12 years of civil war.

Khost is of little strategic value, but Mr Najibullah could make life untenable there for the victors if he wanted.

Mujahideen sources in Miranshah, the Pakistani town opposite Khost, said there were signs of trouble growing between the various Afghan factions that took the garrison.

Three groups – commanders led by Mr Jalaluddin Haqqani, tribal chiefs and the Afghan government-in-exile – all wanted to take control, they said.

Bush hold back on Middle East visit

By Peter Riddell, in Washington

ngola through

missiles

WORLD TRADE NEWS

Computer groups in worldwide link-up

By Michael Skapinker

SIX large computer companies yesterday launched a joint project to ensure that documents containing a mixture of text, diagrams and pictures can be sent around the world from one type of computer to another.

The companies say they will develop software to facilitate the free exchange of documents by 1993.

The software will then be licensed to other companies and computer system developers.

The six participants are IBM, Digital Equipment Corporation and Unisys of the US, Groupe Bull of France, Siemens Nixdorf of Germany, and ICL, the UK-based company owned by Fujitsu of Japan.

The six have formed the Open Document Architecture Consortium, based in Brussels. They hope to overcome the problems computer users have in sending documents from one system to another.

Setting up the consortium is part of a move throughout the industry to "open standards", enabling computers made by different manufacturers to communicate with one another.

The six say electronic transfer of text and pictures is hampered by lack of consensus on how data should be stored and distributed. Standardised software would mean that both sender and receiver would see exactly the same image. Users would not have to retype or reformat documents received from a different system.

The consortium says the software will be especially useful for teams based in different locations, who compile, edit and proof-read books, catalogues and other documents.

The consortium has been set up as a European Economic Interest Group (EEIG).

EEIGs are sponsored by the European Community to bring together companies with common interests. Other EC research projects have been plagued by whether to admit non-European-owned companies. ICL was last week excluded from three projects sponsored by the Joint European Submicron Silicon (Jessi) initiative, a semiconductor research programme.

The consortium said membership was not limited to European-owned groups and it would welcome applications from other companies. The project will be paid for entirely by the participants.

The consortium said it could not yet forecast the cost.

S Korea records third monthly trade deficit

SOUTH Korea recorded a trade deficit of $1.5bn in March, the third consecutive month of deficit, the Trade and Industry Ministry announced yesterday, AP reports from Seoul.

The deficit marked a 70 per cent increase on that of $669m a year earlier.

However, the March deficit was the narrowest of the past three months. The trade gap totalled $1.57bn in January and $1.73bn in February.

The trade deficit for the first quarter now totals a record $4.45bn – already 63.6 per cent of the government's original year-end deficit projection.

Officials said the country's trade balance was likely to improve in the latter half of the year when exports are expected to rise with an improvement in the world economy, including that of the US, following the end of the Gulf war.

They also said that South Korean exports to the Persian Gulf region would be strong because of post-war reconstruction efforts there.

Exports to the Soviet Union will also rise because of the $3bn worth of trade-tied loans negotiated with Moscow.

In March, South Korean exports amounted to $5.74bn, up 9.1 per cent from a year ago, while imports went up 16 per cent to $6.9bn on a customs clearance basis, according to the ministry.

South Korean exports in the first quarter rose by 10.2 per cent from a year ago to $15.33bn, while imports jumped 25.1 per to $19.78bn.

Officials blame the sharp rise in imports in the first quarter on a surge of crude oil imports at high prices in the first two months of the year, plus continued imports of capital and consumer goods.

They said, however, that they were encouraged that exports grew significantly in the first quarter, the first double-digit growth since the last quarter of 1988.

Officials said South Korean export competitiveness has improved recently, especially because of the national currency's depreciation against the Japanese yen and major western currencies.

● South Korea's car exports increased to 69,127 units in the first three months of this year, up 10.9 per cent from 62,352 a year earlier, Reuter adds from Seoul.

The improvement was due to a rise in exports to Europe, according to provisional figures from the Korea Automobile Manufacturers' Association.

"Exports to Europe, especially east European countries, increased sharply due to a success in developing markets," one association official said.

South Korea exported 4,368 cars to east Europe in the first two months of this year, nearly half of last year's total exports to the region, he said.

'Earth summit' charter for leaders

By William Dullforce in Geneva

WORLD leaders will be expected to sign a charter and a work programme for dealing with global environmental issues at a 12-day "earth summit" in Rio de Janeiro in June 1992.

Mr Maurice Strong, a Canadian businessman who is secretary-general for the conference, said yesterday that the measures adopted would call for significant changes in economic behaviour at national, industrial and individual levels and in the factors that motivate businessmen.

The United Nations Conference on Environment and Development (Unced) is planned as a more ambitious follow-up to the 1972 Stockholm conference which put the environment on the international agenda.

Already dubbed the "earth summit", the Rio conference is expected to move environmental matters, such as climatic changes, pollution, the protection and management of land resources and the maintenance of biological diversity, into the centre of international economic policy and decision making.

A "business council for sustained development", comprising 40 to 50 chairmen or chief executives strongly committed to the market economy, has been put together, to promote participation by industry.

Chaired by Mr Stephan Schmidheiny, Swiss industrialist, it includes Volkswagen's Carl Hahn, Percy Barnevik of Asea Brown Boveri, Allen Jacobson of 3M, Shinroku Morohashi of Mitsubishi and several business leaders from the Third World.

Speaking at the second of four meetings planned by the Unced preparatory committee, Mr Strong stressed the need for world leaders to sign an earth charter or "statement of environment and development principles to govern the conduct of nations and peoples towards each other".

A work programme, Agenda 21, running into the 21st century, would go beyond the usual action plans approved in the past by UN conferences. It would set out the objectives, institutional responsibilities and costs of specific proposals to be approved by the conference. It would be accompanied by an agreement on the provision of financial resources.

Papers submitted at the preparatory committee's present meeting included the elements of a global strategy to protect the atmosphere and control climatic changes.

But the papers have also introduced ideas on the linkages between poverty and the environment, debt problems and ecological degradation, intended to ensure a full contribution to Unced from the developing countries.

Mr Strong said that at least 125 countries had started preparing national reports, for which the deadline is July 31.

NEWS IN BRIEF

Commission extends duties on sweeteners

The European Commission has extended for up to two months the high import duties imposed last November on US- and Japanese-produced aspartame, a low-calorie sweetener, it says, Reuter reports from Brussels.

In its statement in the EC's official journal, the Commission said the duties, which have raised the EC import price by about 70 per cent, would stay in place until the end of May.

The Commission must decide by then whether the duties, used to prevent alleged dumping of the sweetener on EC markets, will be kept in place.

The Commission last year imposed a duty of $38 a kilo on imports from the US producer Nutra Sweet, a wholly owned unit of Monsanto, and $41 a kilo on aspartame, made by Ajinmoto Co of Japan.

Soviet-Turkish trade venture

A Turkish-Soviet joint venture company hopes to encourage $150m of trade between the two countries this year, a board member said, Reuter reports from Istanbul. Sovtur, based in Istanbul, has capital of TL2.5bn ($692,420) and is a joint venture between Cukurova Holding and Neshpromtechnobmen, a Soviet trade company.

The company has imported mineral ore and steel products from the Soviet Union and exported earthenware products, shoes and foodstuff since its launch in November. In 1990 trade between the Soviet Union and Turkey rose to $1.78bn against $1.3bn previously.

Japanese team to visit S Africa

The Federation of Economic Organisations (Keidanren), a group of Japan's top business leaders, said yesterday that it would send a mission to South Africa later this month to study investment and other conditions, AP-DJ reports from Tokyo.

Federation officials said the mission, led by Bank of Tokyo Vice-President Tamotsu Yamaguchi, would leave on April 20. During the week-long visit, they said, its members would meet government, congressional and black leaders in South Africa and study investment, economic and other conditions in that country.

Korean groups set up in Peking

Five more South Korean companies have received permission from the Foreign Economic Relations and Trade Ministry of China to set up branches in Peking, company officials said yesterday, AP-DJ reports from Seoul.

Lucky-Goldstar International, Samsung Co., Ssangyong Corp., Koryo Trade International and Pohang Iron and Steel Co. were given verbal approval for Chinese branches from the Chinese ministry recently, officials added. Sunkyong Corp. has been the only South Korean company operating a Peking branch. South Korea and China have exchanged trade representative offices, despite the lack of official diplomatic relations.

Dairy products-for-coal deal

The New Zealand Dairy Board's Soviet Union trading arm, Sovenz, is negotiating a multi-million dollar deal to trade dairy products for coal, Reuter reports from Wellington. Mr Bruce Gaffikin, Sovenz managing director, said the deal with the southern Siberian region of Kemarova, worth $30m to $50m, would see Sovenz sell Soviet coal to Asian and European countries and take the money as payment for New Zealand dairy and meat products.

The Soviet Union has about $135m in unpaid trade debt to the Dairy Board. The board, a producers' co-operative, said last month that it was confident a $260m butter sale to the Soviet Union would proceed.

Japan-Soviet trade could double

Japan could double trade with the Soviet Union and equal Germany as Moscow's biggest trading partner if a territorial dispute with Moscow can be settled, a leading expert on the Soviet economy said, Reuter reports from Tokyo.

Mr Kazuo Ogawa, vice-director of the Institute for Soviet and Eastern European Economic Studies, said in a lecture that Soviet-Japanese trade stagnated in the 1980s because official Japanese credits were cut off after the Soviet invasion of Afghanistan.

Tokyo is maintaining its suspension of credits until Moscow returns four islands off northern Japan seized at the end of the Second World War.

Mr Mikhail Gorbachev, the Soviet president, is under intense pressure to make some concession on the territorial dispute during his visit to Japan which starts on April 16.

Japanese farm lobby firm on rice imports

JAPAN'S agriculture minister, Mr Motoji Kondo, under pressure from Japan's powerful farm lobby, said he hoped Tokyo would not give in to Washington's demands to open up the country's protected rice market, Reuter reports from Tokyo.

Mr Kondo has repeatedly urged the prime minister, Mr Toshiki Kaifu, not to make any concessions on rice imports when he meets US President George Bush in California on Thursday. "I believe that the prime minister will take the exact same line as he has in the past," Mr Kondo told reporters.

But Mr Kaifu's aides, preparing Japan's summit agenda, say that rice is up for discussion in California. Mr Kondo's views, they say, represent the farm lobby at a critical time just before nationwide elections for regional governments. "We have regional elections coming up in April and many politicians are concerned that a rice concession would damage the ruling party's image," a Foreign Ministry official said.

"But there's no way we can avoid taking a compromising stance on rice," the senior official said.

According to government aides, Mr Kaifu will tell Mr Bush that Japan is ready to co-operate on rice imports in order to facilitate a successful end to the Uruguay Round of farm trade talks under the General Agreement on Tariffs and Trade (Gatt). The offer is aimed at placating growing US indignation over Japan's closed markets – a major item on the summit agenda.

Last month, Japanese officials warned US rice industry officials that they faced prosecution if they continued to display American rice at an international food fair near Tokyo.

US agriculture secretary, Mr Edward Madigan, in a letter to his Japanese counterpart on March 31, severely criticised Japan's protected rice market and called Tokyo's threat against the US rice officials a serious affront to American farmers. In the letter, Mr Madigan said: "Two of my daughters drive Japanese cars. All of our homes have Japanese-made televisions, cameras, radios and even telephones made in your country. This week, my wife purchased a Panasonic vacuum cleaner at the same time as our producers were being barred from an educational display in your country."

UK NEWS

Travel agencies prepare plan to protect customers

By David Churchill, Leisure Industries Correspondent

LEADING multiple travel agency chains are making contingency plans to provide a consumer guarantee system in case the Association of British Travel Agents (Abta) falls apart under the tensions imposed by the latest round of travel trade failures.

The move follows concern in the travel trade that further bankruptcies of small travel companies are inevitable this summer and will stretch Abta's financial ability to offer a total consumer protection guarantee.

Abta yesterday insisted it was solvent and confirmed that it had sent audited accounts to Mr Edward Leigh, consumer affairs minister at the Department of Trade and Industry, at his request.

The eight largest travel agencies, which last year formed the Multiple Travel Agents Association, are this week finalising details of a bonding scheme for their members to guarantee any holidays booked through them.

These agencies, which include American Express, Thomas Cook and Hogg Robinson, are worried that Abta's decision to pay for the recent collapse of Sun Living and other school holiday travel companies by imposing a levy on its members could cause the association to break up.

Edward Leigh: thought to be unwilling to assume Abta role

This levy, raising some £1.1m immediately and a further £2.2m in July, has been strongly criticised by both large and small travel agencies and tour operators.

Abta's problem is perceived as its unwieldy organisational structure. It has almost 3,000 travel agencies in membership but the eight largest account for nearly two-thirds of all holidays sold.

The leading tour operators are also thought to be concerned at Abta's handling of its latest crisis and the need for a 70 per cent levy on their subscriptions.

Mr Leigh, the consumer affairs minister, is now expected to come under pressure to provide a government-backed protection scheme that covers rail, ferry and coach travel as well as charter air holidays.

The government has to implement by the end of next year an EC directive on package holidays which provides greater protection for all forms of holidays. Although Mr Leigh is understood to be unwilling to take over Abta's role, he may be forced to do so if further travel companies collapse without sufficient protection.

UK food chains win loans from Brussels to help create jobs

By John Thornhill

SEVERAL UK companies have won attractive European Commission loans designed to stimulate investment and help create jobs in regions stricken by unemployment in the coal and steel industries.

Two of the largest loans, made under the provisions of the European Coal and Steel Community scheme (ECSC), have been awarded to the Tesco and Argyll Group food retailing chains, provoking annoyance among some competitors who feel the loans represent an unfair commercial advantage.

Tesco has received a £73.8m loan to help finance the construction of nine projects in Wales, while Argyll Group, which runs the Safeway, Presto and Lo-Cost supermarket chains, has been granted a £13m loan to develop 22 stores and a distribution centre in Scotland. Tesco's nine projects will lead to the creation of 2,469 jobs; Argyll's 1,100.

A spokesman for J Sainsbury, the UK's biggest grocery chain, commented: "One must question whether the original objectives of these loans are really being met."

ECSC loans are made on more favourable terms than those generally obtainable and Tesco's five-year loan has been made at below the London Inter-Bank Offered Rate. "It is cheaper than we could borrow elsewhere," Mr Roland Ager, Tesco's company secretary, confirmed yesterday.

But a spokesman for the European Commission explained that "as long as companies create permanent jobs in designated areas then they are all eligible too".

The average cost of a new Tesco superstore is more than £15m so the EC loan will provide well over half the total expenditure on these projects.

A spirit of enterprise grows north of the English border

James Buxton, *Scottish Correspondent*, looks at the new structure for training, development, and investment which is the envy of southerners

SCOTLAND is showing striking signs of energy and innovation in economic development thanks to the establishment of the new local enterprise companies - known as Lecs.

For those entrusted with the management of the 22 Lecs their high public profile and economic development powers make them the envy of their more restricted English counterparts, the training and enterprise councils - or Tecs.

"The people who are running Tecs down south would give their eye-teeth to have what we've got here," says Mr John Lord, chief executive of Enterprise Ayrshire.

"We've got much more power than the Tecs because in addition to the training responsibilities we're inheriting from the Training Agency we've also got economic development powers devolved from the Scottish Development Agency," says Mr Lord. "The level of public awareness about Lecs in Scotland is remarkable, compared with that of the Tecs which are often struggling to make themselves known."

Enterprise Ayrshire is one of 22 Lecs - most come under the new body, Scottish Enterprise, which takes over on April 2 from the SDA in Scotland south of the Highlands, while the rest are under the new Highlands and Islands Enterprise.

Transition has been painful for many SDA staff and the "public awareness" Mr Lord talks about is due partly to unfavourable coverage in the Scottish media.

That coverage focuses on dismay at the disappearance of the old SDA and Highlands and Islands Development Board, doubts about the workability of the new structure, fears that the economic development effort in Scotland will be dissipated and the claim that economic development effort is being "handed over to a bunch of amateurs" - a reference to the private sector-led boards of the Lecs.

One of the most serious complaints is that Lecs, like the Tecs, are underfunded for training, thanks to cuts of up to 30 per cent in funding for youth training and employment training made by Mr Michael Howard, employment secretary, last November.

Last week Sir David Nickson, chairman of Scottish Enterprise, said he was "wholly critical of the government's approach to training. It was a disaster that the training funds were cut back. It came just when we were saying investment in people was what we were failing to do. It is going to be very difficult for the Lecs to manage these reduced budgets."

In the large core body, Scottish Enterprise, the chief executive, Mr Crawford Beveridge, who was formerly a senior executive with Sun Microsystems in California, has now simplified the management structure he inherited when he arrived in January and is developing a new strategy. In the Lecs themselves, which have been given 83 per cent of the £430m Scottish Enterprise budget, there are potent indications of new energy and innovation being devoted to economic development.

The Lecs range from large organisations like Lothian and Edinburgh Enterprise, built on the foundation of a big SDA regional office with several big projects ready to go, to bodies created from scratch like Enterprise Ayrshire and Dunbartonshire Enterprise.

A recurrent theme among staff of the Lecs, many of them former SDA personnel though others come from the TA, is that the SDA was grossly overcentralised. "It was well known to the businesses who knew it, but most companies never came across it or felt like approaching it," says one former SDA staffer with Dunbartonshire Enterprise.

Mr Lord says: "What I like about Scottish Enterprise is that the Lecs are so powerful. They also make up one of the deficiencies of the Tecs which is the vacuum at their centre."

He explains that Scottish Enterprise "provides a counterbalance to powerful and argumentative Lecs which ensures that what they do is is within the framework of a strategic view."

Mr Lord says the SDA did not devote a great deal of attention to Ayrshire, despite fairly high unemployment in its industrial towns and its derelict coal mining areas. Even though Enterprise Ayrshire's effective budget is less than it wanted, the £22.7m allocated by Scottish Enterprise is £3m more than the previous combined spending on the area by the SDA and TA.

Despite the budget cuts both Enterprise Ayrshire and Dunbartonshire Enterprise still intend to get away from the TA's tendency to see training as an end in itself rather than part of the economic development process.

Ayrshire and Dunbartonshire believe they will still have enough money to be innovative in their approach to training.

Enterprise Ayrshire will honour its statutory commitments to employment training and youth training but it will not be "marketing" them. It is still expecting the area's training providers to improve the quality of the training they offer, with places on training courses aimed at categories of employment in which jobs exist.

Mr Lord believes that by astute cash management and increased use of in-house training it should be possible to avoid a cut in the numbers of those in training.

Like other Lecs Ayrshire and Dunbartonshire have budgets for environmental improvement, property development schemes and other projects which will give them a leading role in developing their areas. Dunbartonshire has an eye to fostering the leisure potential of the Loch Lomond area. Ayrshire has to fight for a new role for Prestwick airport which is even more under-utilised since it lost its monopoly on Scottish transatlantic flights last year.

For this the Lec will need help from Scottish Enterprise, the parent body. "It is not a thing that a Lec could or should do on its own," he says, "but this is where the effort will be focused."

As to inward investment, both Lecs accept that the initial attracting of it must remain the responsibility of Locate in Scotland, part of Scottish Enterprise.

"We won't go travelling round the world getting companies to move to Ayrshire," says Mr Lord, "but it's healthy for us to assert Ayrshire's case to Locate in Scotland."

He does not accept the criticism of the Lecs that by boosting one area they will harm another. "If we are helping businesses perform better in Ayrshire and if others imitate us, that makes Scotland perform better too."

BRITAIN IN BRIEF

DAF cuts jobs at UK subsidiary

Leyland DAF, the subsidiary of DAF the Dutch truck maker, is planning to cut a further 205 jobs from its UK workforce this year.

DAF, which is 16 per cent owned by British Aerospace, has plunged sharply into loss in the face of the deep recession in the UK commercial vehicle market. Its UK workforce has already been cut from 7,095 at the end of 1989 to 6,491 at the end of 1990, and it is now expected to fall further to around 6,000 by the end of this year.

The company suffered a net loss of Fl228m (after extraordinary items) last year and was forced to cut its workforce in the UK, the Netherlands and Belgium by 1,262 to 15,390 at the end of 1990 from 16,782 in 1989.

House price rise detected

A modest recovery in the housing market may be under way according to the latest monthly survey of UK house prices by Nationwide Building Society. Average UK house prices rose by 0.7 per cent to £58,053 in March. Prices have risen one per cent since the beginning of the year.

Arts Council fears cuts

Reductions in local authority expenditure on the arts in 1991-92 could lead to cuts in the activities of many arts companies with and in some cases threaten their existence, according to Mr Anthony Everitt, secretary general of the Arts Council.

"The situation is more serious than I anticipated," he said. "Certain local authorities, like Derbyshire, are winding up their arts departments, reducing their expenditure from £450,000 in 1989-90 to nothing."

Mr Everitt made clear that the Arts Council would not be able to make good any shortfalls in funding.

Economy hit by cut in lending

The weak state of the economy has been highlighted by figures indicating a sharp slowdown in the lending by the UK clearing banks.

The Committee of London and Scottish Bankers said sterling lending by its member banks to the UK private sector rose by a seasonally adjusted £2.7bn in the three months to the end of February, compared with a rise of £6.7bn in the previous three months. The increase in lending was the smallest over a quarter since the committee started recording data in this form in 1986.

Further aid for Sudan

Mrs Lynda Chalker, Overseas Development Minister, announced a further £5.5m in food and emergency aid is being sent to famine-struck Sudan. The package brings the total amount of UK aid to the region to £30.5m since last September.

Trevor Humphries

Passports please: delays in processing immigration documents will become a thing of the past, according to Home Office minister Peter Lloyd (above) who yesterday launched the UK Passport Agency which is expected to improve customer services

Slump hits construction

Sales of construction equipment in the UK this year are likely to continue at the depressed levels of 1990, partly because interest rates are still too high to restore business confidence.

A report by Corporate Intelligence Group, the London-based analyst, says interest rates need to come down from 12.5 per cent to below 11 per cent, and preferably 10 per cent.

"At those levels, people will start buying houses, houses will be built, and people will invest in new equipment," the report says.

The authors add that last year was one of the worst for the UK construction equipment industry, which saw output fall by 21 per cent.

Dispute affects N-shipments

Officials at Sellafield, the nuclear power and reprocessing plant in north west England, have started talks with merchant seamen aimed at preventing disruption to waste shipments.

The talks follow a decision by merchant navy officers who transport the waste to take industrial action over a disputed pay claim.

The union yesterday claimed its first victory in its campaign to keep the ships in port when one of the ships failed to set sail for Japan from Barrow-in-Furness, the port on the north-west coast.

The specially-constructed ships convey irradiated fuel from nuclear reactors in Japan and Italy to Sellafield for reprocessing.

Equity elects new leader

Equity has elected Mr Ian McGarry, its assistant general secretary, to lead the actor's union which is campaigning for more work for its members. Mr McGarry defeated two left-wing candidates for the post of general secretary although only 11,262 of the union's 46,199 members voted.

Spot the cowboy

The Securities and Investments Board is launching a leaflet to help investors identify financial services companies they should avoid. How to Spot the Investment Cowboys is available from the SIB, Gavrelle Board, 2-14 Bunhill Row, London EC1Y 8RA.

Mercury to cut cost of calls in response to BT

By Michael Cassell, Business Correspondent

MERCURY Communications is to cut the cost of telephone calls for private and business customers, following the reduction in charges implemented yesterday by its main rival, British Telecom. Some business services, however, are to cost more.

Mercury, BT's only competitor in fixed-link telecommunications services, announced that all national, long-distance telephone calls will fall by an average of 3.5 per cent from April 22.

Its domestic charges have not changed since its residential service was introduced in May 1987. The company, a subsidiary of Cable & Wireless, said its private customers had, in four years, seen call charges fall by 24 per cent after inflation had been taken into account.

It said the changes meant that long distance calls - those over 35 miles - would average out 19 per cent less than those of BT, with considerably greater savings in some cases.

But Mercury is also raising rental and installation charges for some of its 30,000 business customers. Subscribers to its 2100 Premier, all-digital service face a 25 per cent increase in rental charges while installation fees will rise by 10 per cent.

Mobile telephone users resent interference from chancellor

A mixture of condemnation and confusion greeted one of the tax proposals in the 1991 budget, reports Michael Cassell

IF he did not know it before, Mr Norman Lamont, the chancellor, is about to learn that taxation is no joke.

His budget proposal to bring more mobile telephone users into the tax net, accompanied by an already-notorious quip castigating them for unsociable habits, has provoked a row out of all proportion to the measure's modest nature.

Britain has 1.15m cellular telephones, four times more than Germany or France. The decision to raise additional revenue from "one of the greatest scourges of modern life" has brought widespread condemnation, mixed with considerable confusion, from users, retailers and equipment manufacturers.

The Federation of Communication Services, which represents cellular service providers, wants the proposal withdrawn and intends to lobby intensely.

The Telecom Users' Association believes the chancellor may be forced to withdraw it and the National Federation of Self-Employed and Small Businesses has joined the chorus of criticism.

Mr Lamont also faces unrest among his own backbenchers. Sir William Clark, not the most obvious of Tory rebels, has censored Mr Lamont for indulging in "pettyfogging nonsense" and others have been equally dismissive. The chancellor could face a rough ride when the measure is debated as part of the Finance Bill.

Norman Lamont, the chancellor, talks into one of the mobile phones he has condemned as a scourge of modern life.

Critics appear less concerned about the financial impact of Mr Lamont's plans than about remarks they believe threaten to undermine the efforts of the rapidly expanding cellular technology industry, one area in which Britain is seen as a world leader. The chancellor, say his opponents, appears not to appreciate the difference between a toy and an increasingly vital business tool.

The proposed measures are small and not intended to put the squeeze on *bona fide* business activities.

In spite of headlines suggesting mobile telephones are, for the first time, to be taxed, all mobile telephones not fixed in vehicles and used by employees for private use are already taxed. Mr Lamont's initiative merely extends taxation to "on-board" cellular units and attempts to simplify tax treatment of all mobile telephones.

The budget means an employee who admits to using a company-provided mobile for private use faces an annual tax bill of £50 - or £80 for higher-rate taxpayers. If employers are reimbursed by employees for any private calls, no tax liability will arise.

The Treasury expects the measures to yield about £30m in a full year. Those who operate and use the cellular network claim the new regulations will prove impossible to police and will cause the sort of bureaucratic nightmare that the Inland Revenue would rather do without.

Although sole traders will not face higher tax bills, small businesses, where the dividing line between private and personal calls may be less obvious, will have cause for complaint. Many are likely to declare that mobile telephones are for business use only and leave the Inland Revenue to prove otherwise.

Mr David Savage, chairman of the cellular services committee of the Federation of Communication Services, says even the Treasury's modest forecast for additional revenue will prove over-optimistic: "The chancellor has managed to incense many people over a measure with which most people will not comply".

Cellnet, British Telecom's 60 per cent-owned cellular communications subsidiary, which has 500,000 users, regards the move as regrettable and retrograde. Mr Stafford Taylor, managing director, says Mr Lamont's derogatory comments are not appreciated by those who use mobile telephones to improve business efficiency and competitiveness.

Racal Telecom, parent of the Vodafone cellular network operator, with 645,000 users, says the measures will prove a nightmare for the Revenue. It believes a small percentage of personal calls should be allowed before users are taxed.

Mrs Vivienne Peters, chief executive of the Telecom Users' Association, says the chancellor risks arresting company growth by discriminating against mobile telephones.

Mr Graham Rivers, managing director of NovAtel Communications (UK), an equipment manufacturer, says he is particularly angry over the government's "singular hypocrisy". How, he asks, can it liberalise BT, break up the telecommunications duopoly and create the fastest-growing cellular communications market in the world and then penalise those who use it? He inquires: "Does the minister, perhaps, use a cellular phone himself?"

There is plenty of evidence that he does, though it is harder to establish whether he ever uses it to phone home.

Scottish Power set new timetable to combat acid rain

By David Thomas, Resources Editor

SCOTTISH Power, the electricity company heading for privatisation, looks certain to have to accelerate costly plans to combat acid rain pollution.

The plans involve fitting equipment to scrub sulphur dioxide, the main cause of acid rain, from the Longannet power station at a cost of £350m-£400m.

The company had thought that the equipment, known as flue gas desulphurisation (FGD), would begin operating in 1997-98, which would mean beginning construction of the plant three years earlier.

However, the government has been taking an increasingly tough attitude on sulphur dioxide emissions from Scottish power stations during negotiations with Scottish Power.

Scottish Power, the larger of the two electricity companies due to be privatised next month, now expects the FGD plant to have to begin operating in 1995-96, which would mean beginning construction as early as 1992-93.

The alternative would be to scale back plans for an expansion of electricity exports to England, which Scottish Power sees as integral to its commercial strategy in the private sector.

"In order to continue to export, we will have to invest (in FGD) earlier," Dr Ian Preston, Scottish Power's chief executive, said yesterday.

The FGD investment would be spread over about five years, although a large tranche would be committed in the first two years of construction.

Scottish Power would bear all the capital cost of fitting FGD to Longannet, but it would recoup some of the cost through charges to Scottish Hydro-Electric, its smaller rival, for taking power from Longannet.

The timing of the investment is one factor in Scottish Power's negotiations with the government about the company's capital structure. Scottish Power expects to start life in the private sector with £200m-£300m of debt, although it believes its initial debt-to-equity gearing will decline.

Scottish Power is also anticipating substantial job reductions from its current total workforce of 9,500 in its early years in the private sector.

Its workforce has been declining by about 200 a year recently, but Dr Preston said: "We anticipate accelerating that."

Scottish Power does not, however, plan to announce overall job loss targets. The reductions are intended to be achieved by more efficient working throughout the company.

Labour deputy leader delivers outspoken attack against Major

By Ivor Owen, Parliamentary Correspondent

MR John Major, the prime minister, was last night accused of lacking "political integrity" by Mr Roy Hattersley, the opposition Labour party's deputy leader.

He chose the closing stages of the Neath by-election in south Wales, which seems certain to result in Mr Peter Hain retaining the seat for Labour tomorrow, to deliver the most outspoken attack yet on the prime minister by a senior member of the opposition.

Mr Hattersley claimed that in addition to being a "ditherer" Mr Major was so devoid of principle that he was "blown by every political breeze" towards the decision he hoped would be popular.

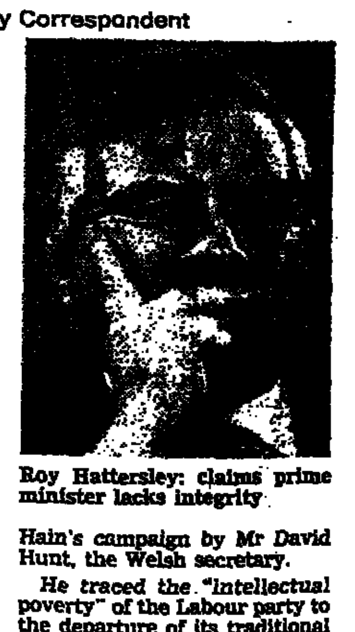
Giving examples of the policy reversals undertaken by the prime minister he cited the abolition of the poll tax, the limiting of relief on mortgage interest to the 25 per cent basic rate of income tax and the freezing of the married couples' personal allowance.

Mr Hattersley argued that a party leader so prone to change his mind before an election "without the slightest reference to principle" was likely to change it afterwards as well.

He acquitted Mr Major of the "secret agenda" charge which Labour frequently levelled at his predecessor, Mrs Margaret Thatcher, on the grounds that it would be "far too intellectually exacting a sort of deceit for him to organise".

Instead, Mr Hattersley maintained that Mr Major had "no agenda at all".

Mr Hattersley's onslaught on the prime minister followed trenchant criticism of Mr Hain's campaign by Mr David Hunt, the Welsh secretary.



Roy Hattersley: claims prime minister lacks integrity

He traced the "intellectual poverty" of the Labour party to the departure of its traditional working class supporters from the area, and the loss of "moderate" figures such as the late Mr Aneurin Bevan and Mr Donald Coleman, the Labour MP whose death caused the by-election.

Mr Hunt forecast that unemployment in the Neath area would fall as the current recession bottomed out.

Mr John Patten, Home Office minister, sought to give a final boost to the campaign of Mr Richard Evans, the Conservative candidate, by challenging Mr Neil Kinnock, the Labour leader, to repudiate a suggestion by Mr Hain that the judiciary would benefit from the appointment of left-wing judges.

FT LAW REPORTS

A digest of cases heard during the Hilary term

LEGAL & GENERAL ASSURANCE SOCIETY v DRAKE INSURANCE CO LTD
(FT, January 15)

MR ARORA was driving his car when he collided with a pedestrian, causing him serious injury.

He was covered by two policies: the first issued by Legal & General, and the second by Drake. Just less than 18 months later, in December 1977, Legal & General informed Drake of the existence of the pedestrian's claim, which it had by then settled.

Legal & General then commenced contribution proceedings against Drake.

The policies contained a condition that immediate written notice should be given of an event which might give rise to a claim, and that due observance should be a condition precedent to liability.

At first instance, it was held that Legal and General were entitled to recover a 50 per cent contribution from Drake.

In allowing Drake's appeal, the Court of Appeal stated that there was no answer to the difficulty that so far as Drake was concerned, the excess over 50 per cent was a voluntary payment.

Nor could Legal & General recover from Drake half the 50 per cent which was its liability to Mr Arora - either by way of contribution or on any other basis.

THE KOMNINOS S
(FT, January 16)

A CARGO of steel coils was shipped aboard Komninos S from Greece to Italy where they were found to have been seriously damaged by water.

Mr Justice Leggatt found for the cargo owners and ruled, *inter alia*, that the proper law of the contract was Greek.

The shipowners submitted that the parties' inferred intention was that English law *should govern the contracts*, relying on clause 24 of the bills of lading which provided that all disputes were to be referred to British courts.

Accepting that submission, the Court of Appeal stated that the parties intended their contracts to be governed by English law.

Moreover, it was impossible to conclude that "all disputes to be referred to British courts" *amounted to* a provision that UK legislation giving effect to the Hague-Visby Rules should govern the contract.

They were thus not incorporated so that the exemption clauses in the bills of lading protected the shipowners and the cargo-owners were unable to recover.

AGIP (AFRICA) LTD v JACKSON AND OTHERS
(FT, January 18)

AGIP was an oil exploration company which was defrauded of millions of dollars by its chief accountant who fraudulently altered the payee's name, and diverted payment to a recipient of his own choosing.

The payees in the altered orders were all UK companies managed by the defendants, who were the directors and authorised signatories on each company's account.

Both common law and equity accepted the right of an *owner to trace his property* into the hands of others, as constructive trustees, while it was in identifiable form, the Court of Appeal stated in dismissing the defendants' appeal against a decision that they were *liable*.

They had controlled the movement of the money and must have assisted in the fraud and the judge rightly concluded that they must have known they were laundering money.

MK INTERNATIONAL DEVELOPMENT CO LTD v THE HOUSING BANK
(FT, January 22)

A NEGOTIABLE instrument for £50,965 signed by the Housing Bank as drawer, was issued payable to "MKI ... or bearer" which was enclosed in a letter to MKI's controlling share*holder as being "in settlement* of the sum owed to you".

The cheque was addressed to Arab Bank Ltd in London but was dishonoured on presentation "by order of drawers".

MKI issued a writ claiming the amount of the cheque from the Household Bank and applied for leave to serve the writ out of the jurisdiction.

The point was whether, as between immediate parties (MKI as payee and the bank as drawer), the cheque failed for want of consideration.

Dismissing an appeal by the bank against the granting of leave to serve proceedings on the bank out of the jurisdiction under Order 11, the Court of Appeal stated that it was fully arguable that MKI had a case that it had given consideration under section 27(1)(b) of the *Bills of Exchange Act 1882* by agreeing to forgo the debt owed to it even though only part of the consideration was furnished by the payee.

E.D.&F. MAN (SUGAR) LTD v HARYANTO
(FT, January 23)

MAN as seller, and Mr Haryanto as buyer, entered into contracts for the sale and purchase of sugar which were governed by English law and contained an arbitration clause.

Mr Haryanto issued a writ in the Commercial Court claiming a declaration that he was not bound by the contracts, *and an injunction to restrain* Man from proceeding with the arbitration.

Those claims and the appeal against them were dismissed, the Court of Appeal declaring that the buyer was bound by the disputed contracts.

Mr Haryanto then proceeded in Jakarta seeking annulment of the disputed contracts on the ground that they were executed for illegal importation into Indonesia.

There the court decided that the contracts conflicted with Indonesian public policy and were without legal effect. Man obtained an arbitration award ordering Mr Haryanto to pay \$22m under the settlement agreement, obtaining leave to enforce the award as a judgment.

The Court of Appeal in the *present proceedings upheld the* judge's decision that the settlement agreement was valid and binding.

On the question of whether Mr Haryanto should be restrained from instituting proceedings in a third country to enforce the Indonesian judgment, it would not be right to grant any injunction which would have extra-territorial effect on proceedings abroad, the appeal court stated.

IN RE HARRODS (BUENOS AIRES) LTD
(FT, January 25)

HARRODS (Buenos Aires) was *incorporated in England and* its registered office was in England but its business was exclusively carried on in Argentina, where its central management and control was exercised.

Its only two shareholders were incorporated in Switzerland, Intercomfinanz owning 51 per cent and Ladenimor the remaining 49 per cent. Ladenimor presented petitions under the Companies Act 1985 and the Insolvency Act 1986 on the principal ground that the company's affairs had been conducted in a manner unfairly prejudicial to it within section 459 of the 1985 Act.

Intercomfinanz's summons that service be set aside and proceedings be stayed on the ground that Argentina was the appropriate forum for trial was refused.

Dismissing an appeal against that refusal, the Court of Appeal stated, on a preliminary issue, that the English court had jurisdiction to stay or dismiss the petition on grounds of *forum non conveniens* under the 1968 Brussels Convention on Jurisdiction and Judgments even though the company was domiciled in UK but was also domiciled in Argentina, a non-Convention country.

HAZELL v LONDON BOROUGH OF HAMMERSMITH AND FULHAM AND OTHERS
(FT, January 29)

THE borrowing powers of a local authority were defined and controlled by Part I of Schedule 13 to the Local Government Act 1972 which limited the purpose and method of borrowing by a local authority.

In exercise of its borrowing powers, the Hammersmith and Fulham Borough Council borrowed £390m.

From December 1983 onwards the council entered into numerous interest swap contracts whereby the council anticipated a rise or fall in interest rates generally.

If its anticipation was fulfilled, it would derive a profit which could then be employed in meeting its interest burdens. In deciding the question whether the council possessed power to enter into any swap contract, the House of Lords stated that a local authority was not a trading or currency or commercial operation with no limit on the method or extent of its borrowing, or with powers to speculate.

It was a public authority dealing with public money, under powers limited by Schedule 13 which had established a comprehensive code defining and limiting a local authority's borrowing powers.

The Schedule was inconsistent with any incidental power to enter into swap transactions.

Aviva Golden

MANAGEMENT

Management of change

Why Kodak decided variety is not the spice of life

Simon Holberton on the film manufacturer's quest for consistent quality

There is no getting around it: if you want to become a quality manufacturer or service provider then you have to make a commitment to long-term change. This change has to happen on many fronts and one of the most important is changing the way you think about the way *you make things.*

Concretely, this means relearning the "how" of what the company makes. Techniques for doing this are today known as "statistical process control" (SPC) – a method of using data about a manufacturing process to control and improve the process.

"Data", "control", and "improve" are the important words here. Data gets around the problem of opinions and, if everyone participates with good faith, it places discussions about work and work processes on a professional footing. As Clem Smyth, director of manufacturing and test operations, at Amdahl Corporation's manufacturing plant outside Dublin, in the Republic of Ireland, says: "Opinions are like left feet: everyone has one."

*"Control" refers to the control of vari*ability in the manufacturing process. All manufacturing processes are inherently variable, mostly because of the performance of equipment, but also because of the way it is used.

To mitigate the first form of variation, management can invest in more advanced machine tools or methods of manufacture which operate at higher levels of tolerance and specification. But what SPC seeks to define and then control is the latter source of variation: *that which comes from humans* interacting with machines – how they operate, maintain and feed them.

Once understood and controlled, a manufacturing process can be "improved". With the same degree of co-operation – and the best manufacturing experience shows that this co-operation can be achieved only through cross-functional work teams – finer specifications can be applied and product quality enhanced.

That is the theory, but the difficult part is doing it. Once companies embark upon the analysis and correction of variation they soon find out that management style has to change. They find that they are forced to re-evaluate the relationship between managers and managed and this involves a different, more participative, form of interaction.

As Jack Frost, director of manufacturing for Kodak in Britain, notes: "We all used to treat direct labour as idiots for years. Now we are giving people a share of the action. They have a lot of good ideas." Frost is talking about *Kodak in general, but his views are* drawn from the experience he gained when he was the plant manager at the company's chemicals plant in Kirkby near Liverpool in the 1980s. His view on the past is uncompromising: "Management has been at fault."

The company decided it had to change in 1982. It dabbled with SPC for some years but did not get really serious about it until 1985. According to Steve Neve, a product controller at the Kirkby plant, the plant produced chemicals which needed a lot of rework. "We didn't understand the root causes of variability so poor process understanding and control led to variable yields. In the mid-1980s 10-15 per cent of work needed reprocessing. We couldn't forecast our production and we couldn't be confident of what we produced."

Eighteen months ago Kodak gave the Kirkby plant the prime mandate for the worldwide production of a chemical known as "HO" around the plant; it is a complex organic chemical which goes toward sensitising Ektacolor photo*graphic paper. The plant currently pro*duces hundreds of tonnes of HO a year – more than half is exported to the US, Brazil and Australia – and is the major chemical now manufactured there.

HO is a mature product, some 20 years old. At that point in a product's life most management text books would tell you that large improvements in the productivity *of manufacture* would be hard won, if achievable at all. But Kodak's experience at Kirkby shows *that, consistently applied, SPC in tan*dem with a team approach to work and just-in-time inventory control can produce some remarkable results.

Says Charlie Kelly, manager, synthetic chemicals: "We have achieved a *lot,* given the chemistry. We have made *improvements in efficiency, in cycle* time, and we've got extra volume."

These achievements stem from Kodak's 1985 decision to send selected individuals on a six-week course of study in SPC. Stephen Duffy, factory manager at Kirkby, says that good interactive skills and shop-floor credibility were the key qualities that Kodak looked for in the people it sent.

The message that the now "quality improvement facilitators" came back with underlined to top management that SPC, whatever its considerable merits, was not going to be a quick fix.

"They came back and said to management that they needed a plan and the commitment of management," recalls Duffy. "They pointed out that SPC was not a quick fix option. Getting a process *under control would take time. First,* they had to figure out why it was out of control and what level of capability was needed to get it under control before they set about correcting it."

On their return they trained 60 colleagues in elementary SPC at a one-day course. However, Kodak was still left wondering how to translate that knowledge into action. At the beginning of 1986 a series of workshops was set up involving not only managers but technicians, engineers and operators.

"Everyone had a say," says Brian Charters, one of those attending the main SPC course. "The object of the exercise was directed at improving the process, but equally to confer ownership of it on the people operating it."

Charters says the main problems were cycle time (speed of manufacture), and the need for a technical review of process and manufacturing procedure. The workshop in question made sure everyone was doing it the same way, and looked at how to reduce variability. Participants then listed their concerns, ranked them, decided on actions and set deadlines. Then they looked at the process again, seeking the critical areas, and what needed to be done to control the process.

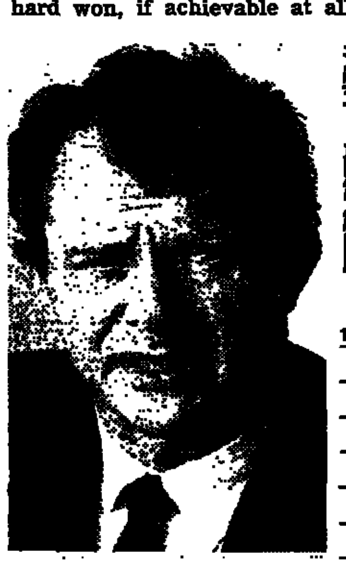
Refocusing the attention of manag*ers, technicians and operators* in this way has produced some impressive improvements in the productivity of manufacture of HO at Kirkby and made it one of the most efficient plants in Kodak's worldwide portfolio.

Over the period 1986 to 1990 the cost of manufacture has fallen 40 per cent, the yield from raw materials has risen from 86 per cent to 91 per cent, for three successive years the plant has hit its delivery schedules 100 per cent of the time, and, most important, the measurable quality has improved.

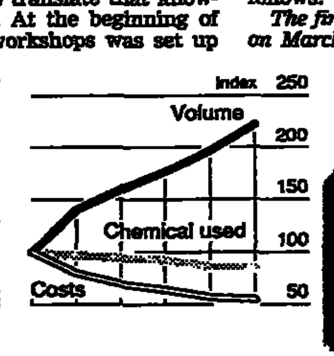
According to Neve, the specifications the makers of HO work to now were recently applied to the chemicals produced in 1987. "If we use 1990 specifications then 70 per cent of what we produced then would have failed," he says.

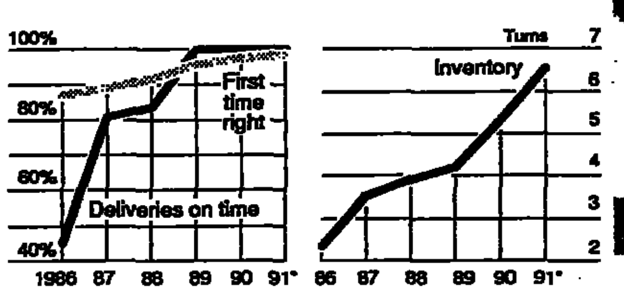
"We *had a mature product,* but the specifications were getting tighter. The customer wanted improved products. A major effort was put into understanding variability. We got together in workshops to look at variability; everybody was involved. If you get process and quality right then yield improvement follows."

The first article in this series appeared on March 20.



Charles Kelly
Department Manager
Synthetic Chemicals





Stephen Duffy
Factory Manager
Chemical Manufacturing Division

The real meaning of the networked organisation

By Christopher Lorenz

Like Chinese whispers, new management concepts have a nasty habit of acquiring less and less accurate meanings as they are passed from person to person, or company to company.

There can be few greater sufferers from this distortion at present than the fashionable notion of "networking", otherwise known as "the networked organisation". The confusion is far from merely semantic. It could prove seriously damaging.

To some people, the concept overlaps closely with that of alliances: the external relationships an organisation develops with collaborators such as joint venture partners in technology or distribution, and (increasingly) with its own suppliers. This form of networking has been advocated with particular force by Harvard's Rosabeth Moss Kanter.

To others – probably the *majority of practical* business people – networking is all about changed relationships within organisations. But that's where the confusion really starts.

In its most common form, propagated by such management luminaries as Peter Drucker, networking is an activity that has to go hand in hand with that popular current fashion of the *late 1980s (over which there* is little definitional confusion), "delayering".

As most companies have found in the past few years, just removing layers from their structure is not enough. They must also change the way they communicate internally and take decisions. Otherwise they grind almost to a halt as managers buckle under pressure from all the extra people who now have to report to them.

Rather than allowing most communication to continue to flow up and down hierarchical channels, as in the old bureaucratic organisation, delayered ones have to rely much more on two other directions of communication: horizontal, between people in different departments, countries, and businesses; and diagonal, across various levels of the organisation, often regardless of status or title.

The need for this sort of "networking" is being recognised increasingly by all sorts of companies attracted by the promise that it will not only help make them more team-minded, flexible and fast on their feet, but also that it will turn them into open "learning organisations" – another of the latest buzz-concepts which has bred a confusion all its own.

The trouble is that most *companies, and some of the* consultants and academics who advise them, are failing to make a quite critical distinction: between official and unofficial networking. Thus a Strategic Planning Society conference in London last month heard from one speaker that networking between different businesses in a diverse company was "not necessary" (nor sufficient) to create synergy between them.

Flying in the face of wisdom

The remark, which seemed to fly in the face of all accepted wisdom, surprised the audience, especially since the speaker was contradicted by three senior managers on the same platform – from Digital Equipment, Philips, and Whitbread, the UK drinks and restaurants group.

It turned out afterwards that the speaker, Andrew Campbell of the Ashridge Strategic Management Centre, had been using the term in its purest form – of strictly informal networks.

Campbell's point about methods of synergy-creation is highly arguable, although he is by no means the only person to claim that, for the various businesses within a company to achieve such synergies as the mutual transfer of each other's skills, it is unnecessary for them to "network" together, or even to share some sort of culture. Campbell argues that much more limited, and formal, mechanisms and procedures can be at least as effective in certain circumstances.

In terms of the theory of networking, however, Campbell was on stronger ground; until a few years ago, the concept was seen by most consultants, academics and corporate experts as closely associated with the decades-old concept of "the informal organisation".

Yet, in practice, the term has also been applied increasingly in the past few years to networks which are established formally by management decree, but which then proceed to operate more or less informally.

This is certainly the case for many of the long-standing networks within Digital, and for the majority of those created over the past year within British Petroleum, as part of its well-publicised programme of cultural change.

This dual sense of the term is creating such a degree of confusion among managers – and demotivation for those excluded from particular official networks – that the whole concept of networking risks being devalued.

An officially-established network, to which a select number of people are given access, but from which most are excluded, is an entirely different animal from one which is established voluntarily by a group of people who find they have a common interest – and one to which, most importantly, most people in the organisation have open access.

Official networks are certainly a praiseworthy advance over the bureaucracies they replace. But they are often little more than streamlined, well-run and physically dispersed committees, in which members *communicate and meet less* by rote than before, and more at will.

The real breakthrough is official blessing for all sorts of unofficial, informal networks. It is they, much more than the official variety, which will really help create the open and flexible "learning organisations" which most forward-thinking companies aspire to become.

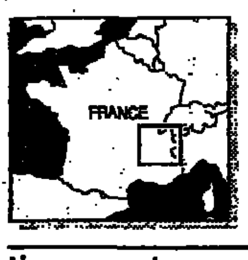
FINANCIAL TIMES SURVEY

RHONE-ALPES

Wednesday April 3 1991

Vocal source of dissent; After the riots, rethink on social problems, Page 2

Feast for inquiring minds; A winter of contentment for skiers, Page 4



Rhône-Alpes is seeking to carve out a stronger identity for itself as it urges decentralisation. It is the most prosperous region outside Paris and its politicians are in the forefront of dissent in the country. **William Dawkins** assesses the future as a European crossing point

Penchant for autonomy

IF decentralisation in France is going to make further progress, then Rhône-Alpes, the largest region outside Paris, is where it will stand or fall.

"If only because of our big population and economic output, we will continue to be the main example of decentralisation," says Mr Charles Millon, president of the regional council and national head of the UDF centre-right coalition party.

"This region does not tolerate political leaders that are too traditional. We have always been a bit autonomous, far from Paris in every way," adds Mr Alain Carignon, mayor of Grenoble, a former environment minister in the last Gaullist government.

They are both examples of the young generation of right-wing political leaders who have taken over many of the crucial political jobs in recent years, making Rhône-Alpes the most vocal of the big majority of French regions to be dominated by opposition parties.

Its size and influence are an asset and a handicap. When the administrative regions were formed in 1986, in the latest round of decentralisation, Rhône-Alpes found itself with a territory of 43,700 square kilometres, slightly larger than Belgium and nearly the size of Switzerland, and a population of 5.2m people, around a tenth of the French total, spread across eight departments.

It is fortunate to be more prosperous than the national average, on most counts. Rhône-Alpes produces 10 per cent of France's gross national product, from a well-balanced and diversified economy, embracing large international businesses in pharmaceuticals, agrochemicals, textiles, computers, truck making and banking.

In spite of the declining fortunes of Renault Véhicules Industriels, France's main truck maker and traditionally the region's biggest employer, Rhône-Alpes managed growth in industrial output of 3.5 per cent last year. That was a sharp slowdown from 9.5 per cent in 1989 but still a less marked reduction in growth than experienced by France generally, according to the Banque de France. With a 4.6 per cent rise in exports last year, the region's businesses continue to turn out a trade surplus while the rest of France worries about an apparently ungovernable deficit.

Meanwhile, Rhône-Alpes consistently managed to hold the jobless rate one to two percentage points below the national average. It was 7.4 per cent as against the national rate of 8.9 per cent last year, when job creation was especially high in formerly depressed industrial areas such as the Loire.

Those are the assets. The disadvantage is that Rhône-Alpes is an artificial administrative creation, so that it is hard to reconcile the mosaic of interests within its borders.

There are the prosperous vineyards of Beaujolais and Rhône in the north. Over to the east, stand the snow-capped mountains of the Savoie and Haute Savoie. They are now reaching the final stages of a huge investment in roads, communications and sports facilities for next year's Winter Olympic Games. This event could provide a badly needed infusion of new business for an ailing ski industry that has celebrated the return of good snow conditions.

In the west, the former coal, steel and textile town of Saint Etienne, is tackling the problems of keeping its fragile new industries going through the economic slowdown, as is the old textiles centre of Roanne. Then there are the banking halls and industrial centres of Lyon, the research centres and high-technology businesses of Grenoble and the arid Mediterranean agricultural areas in the remote Ardèche and Drôme.

With a 4.6 per cent rise in exports, the region's businesses continue to turn out a trade surplus while the rest of France worries about an apparently ungovernable deficit

Regional planners admit it is hard to weld that diversity into an economic unit. Neither is their scope to form a coherent regional policy helped by the fact that for all the moves to decentralisation of the past decade, central rather than local government still collects and distributes 90 per cent of total tax revenues. Mr Millon reckons France is only a quarter of the way towards what he sees as the ideal level of decentralisation.

He and his colleagues in the Lyon and Grenoble town halls have so far focused their decentralising efforts on higher education, traditionally the preserve of central government. The region's nine universities are not far off saturation point, a function of the the fact that 30 per cent of the population is under 20 years old. Both Lyon and Grenoble, backed by the regional council, have taken the initiative and forwarded plans for new universities to the Education Ministry in Paris, to be partly funded by the various local authorities.

Another important way in which the region is seeking to carve out a stronger identity for itself is in the growing co-operation being nurtured at all levels between neighbouring regions in Germany and Italy – Rhône-Alpes' biggest trade partners – and Spain.

The first fruits are already emerging from a co-operation accord signed in 1988 with Baden-Württemberg, Lombardy and Catalonia. Talks are, for example, under way on possible simultaneous stock exchange flotations of local companies, as a valuable way to help them expand into foreign markets in the regions involved.

The four have also jointly lobbied their respective governments and the European Commission to encourage the building of Trains à Grande Vitesse (TGV) links between each other. Lyon was well placed to lead the rail discussions, having become 10 years ago the terminus of Europe's first TGV line, linking it with the French capital in two hours. By the end of 1993, the highly profitable route is to include a by-pass to Satolas International Airport and south to Valence, though no final decision has yet been made on direct links to other European regions.

Other areas where the four are pursuing co-operation include universities, research, telecommunications and tourism. The accord is so far of more political than practical value, but is held up by local officials as an example of how regions will increasingly by-pass their central governments to pursue European interests.

"These are regions of a similar size which wish to build Europe together instead of making bilateral accords with each other," says Mr Millon.

Revealingly, all four of them have representations in Brussels, which operate separately from their national embassies. Of course, they are equally useful for pursuing individual interests. Grenoble, for example, uses the Rhône-Alpes office in Brussels to keep an eye on European Community-funded research programmes in which local companies might participate, rather than operating through the Research Ministry in Paris.

Achieving decentralisation, however, is a slow and difficult business and depends crucially on the region's ability to make its voice heard in Paris. On a political level, some of the reformers of the right are beginning to look isolated from the national political establishment, which could hamper efforts to extend the region's influence in the capital.

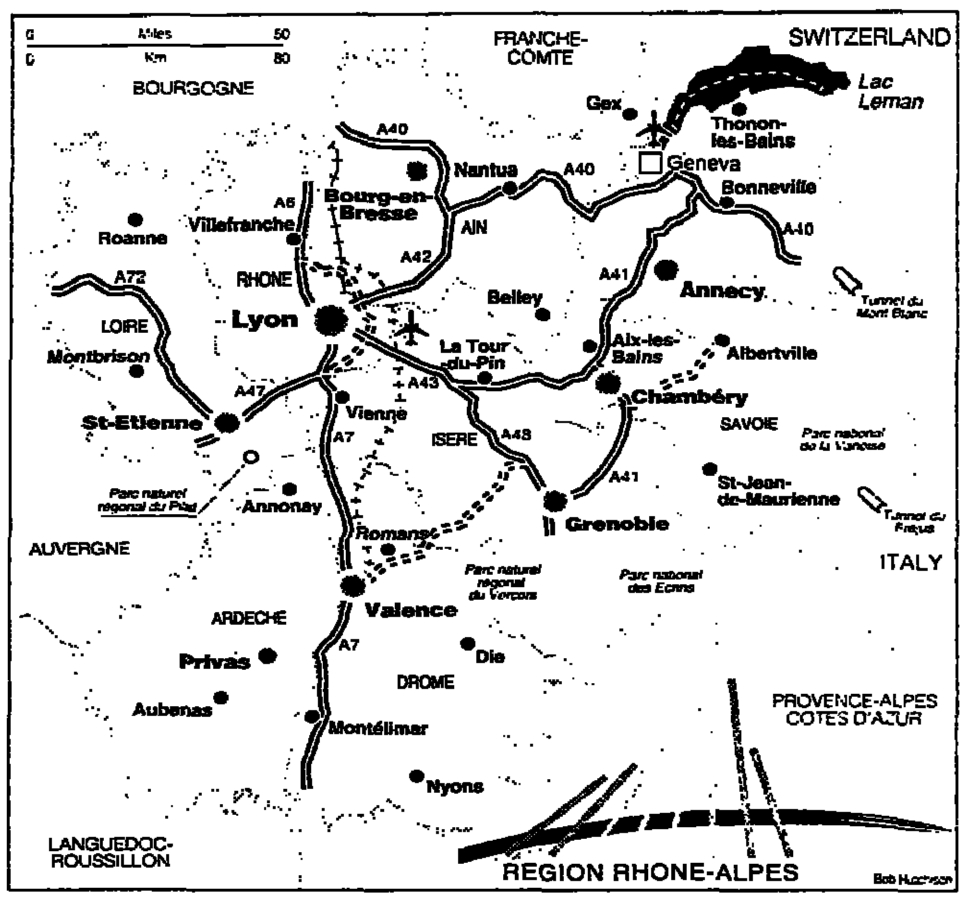
Grenoble's Mr Carignon was last year suspended from the RPR Gaullist party for advising voters in a by-election to support the socialists rather than the right-wing National Front, if they could not be persuaded to vote RPR. That cut his last tangible political link with the Paris establishment, since he gave up his parliamentary seat three years ago in favour of a job as president of the Isère departmental council.

Mr Michel Noir, the mayor of Lyon, and one-time trade minister, resigned as a Gaullist member of parliament last December in protest against the bickering and lack of direction among the party leadership. He hoped to spark off a mass defection that would form the foundation of a new party that might unite the fragmented right.

In the event, only two fellow RPR MPs were brave enough to take the risk and hand in their resignations, and one of them failed to be re-elected in the by-elections that followed. While Mr Noir won his local seat back with an increased majority, his national image has received a dent.

It was a big risk. But it was at least in tune with a consensus among the region's leaders that Rhône-Alpes should have a role to play in reviving the fatigued and divided French political opposition.

Whether or not Mr Noir's gamble ultimately pays off, the region is worth watching for many reasons in the years head. It is likely to provide much of the material for the continued national debate on the connected issues of how far to go with decentralisation and whether the make-up of the political establishment correctly reflects the French people's beliefs.



KEY FACTS

☐ **Population:** 5.2m, of whom 30 per cent are aged under 20 and 40 per cent are 25 to 54.

☐ **Area:** 43,700 sq km; eight departments — Ain, Ardèche, Drome, Isère, Loire, Rhône, Savoie and Haute-Savoie.

☐ **Travel:** From Lyon to Paris, two hours by TGV, or 4hr 40min by road. Driving times (based on Michelin estimates) to Geneva, 1hr 45min, Grenoble 1hr 10min, Marseille 3hr, Toulouse, 5hr 10min. Satolas International Airport serves 53 international routes — six hours to New York and two hours to Dusseldorf.

☐ **Leisure:** 57 ski resorts, 29 golf courses, 350 public swimming pools. Michelin three-star restaurants in Roanne, Valence, Vonnas and near Lyon at Collonges au Mont d'Or.

☐ **Economy:** 10 per cent of French GNP, unemployment 7.4 per cent, 11 per cent of French exports.

☐ **Employment:** 58 per cent in services (slightly above national average), 35 per cent in industry and construction, 7 per cent in agriculture.

☐ **Rate of exchange:** Average for year to March 22, 1991 — £ = FFr9.78; $ = FFr5.32

RHONE-ALPES 2

The old party lines have become blurred, writes **William Dawkins**

Vocal source of dissent

RHONE-ALPES has a well-earned reputation for providing France's most vocal source of dissent to all sides of the Paris-based political establishment.

The past 12 months have been no exception. Last June, the Gaullist RPR suspended the party membership of Mr Alain Carignon, 42, the dissident young mayor of Grenoble, after he told voters in a by-election that he would rather they supported the Socialists than the extreme right-wing National Front. "I said it because that's what I believe," an unrepentant Mr Carignon recalled recently.

In December, his friend Mr Michel Noir, 46, the ambitious mayor of Lyon, resigned as an RPR member of parliament in disgust at the continued bickering within the Paris-based leadership of the political right. He was followed by Mr Jean-Michel Dubernard, another Lyon MP, and by Mrs Michèle Barzach, a glamorous former health minister, who gave up her seat in Paris.

A year earlier, Mr Charles Millon, president of the Rhône-Alpes Regional Council, gained new national prominence when he won a long and bitter battle against Mr Francis Léotard to become president of the UDF centre-right party.

These manoeuvres are partly a reflection of the general problems of France's right wing, troubled by the deep rivalries between Mr Jacques Chirac, the head of the RPR, former French president Valery Giscard d'Estaing, and former prime minister Mr Raymond Barre, who now wields shadowy but considerable local influence as a member of parliament for the Rhône and regional councillor.

But they also reflect a historic tradition of dissent, a tendency of which regional politicians are proud. This goes back to the French Revolution, which started in Grenoble in 1788, a year before the rest of France.

More recently, the region was during the 1970s a power base for socialist opposition to the right-wing Gaullist government in Paris, a left-wing voice led by the late Mr Charles Hernu, the former Socialist defence minister. Mr Hernu's death while still mayor of Villeurbanne, a suburb of Lyon, last year provoked the by-election in which Mr Carignon made the controversial remarks that led to his suspension from the Gaullist party.

Michel Noir: resigned as an RPR member of parliament

Charles Millon: gained new national prominence

Alain Carignon: party membership suspended

With the socialists back in power in Paris in the 1980s, Rhône-Alpes neatly stepped back into opposition by becoming one of the most vociferous centres for the right. Over the past year, it has moved on yet again, to be the centre for the young generation of right-wing politicians seeking to reform or merge the fragmented parties of the right and centre.

During the 1970s, the region was a power base for socialist opposition to the Gaullist government

So far, however, the results are not encouraging. Mr Noir and Mr Carignon show no signs of being able to form a party together, in spite of their apparently cordial relations.

Mr Noir clearly hoped and is still hoping – that his resignation would attract a large following from similarly disillusioned RPR members of parliament. Opinion polls suggest the triple resignation attracted some sympathy, but no other members of parliament were foolhardy enough to follow.

In the event, Mr Noir and Mr Dubernard were re-elected as independents with slightly larger majorities, drawing some support from former Socialist voters.

But the turn-out was very thin. Mrs Barzach even failed to retain her Paris seat against a strong challenge from the city's deputy mayor.

Mr Noir refuses to be discouraged. "In Lyon, nobody is interested in the old conflict between right and left any more. It's the same when you look at national opinion polls . . . I have made a bet that it is the opinion of French people that matters, and not the political establishment," he says.

Over at Grenoble, Mr Carignon thinks along very similar lines. "The political rifts which have divided France since the beginning of the century don't exist any more. We must now find a new line-up which reflects the new debate," he says.

Their own records illustrate how the old party lines have blurred. These two ostensibly right-wing mayors carry out left-wing policies, spending heavily on education and public transport, necessitating local tax increases which have attracted criticism from their traditional supporters in the business community.

Another issue on which the region's new generation of young right-wing leaders are agreed is the need to push further the gradual transfer of powers from Paris into the provinces, that led to the 1986 increase in power of regional councils.

Mr Millon believes that the Paris government should confine itself to functions of purely national importance, such as defence, justice and foreign affairs, and devolve the rest. "We are only a quarter of the way there," he says. Higher education, now a central government matter, is the first issue on Mr Millon's list, an area where several departments within the region are already taking an increasing amount of responsibility.

Polls suggest the triple resignation attracted sympathy, but no other members of parliament followed

He acknowledges that left-wing government in Paris is likely to be cautious about decentralisation, given that 20 out of 22 French regional councils are today controlled by the right. But Mr Millon argues that in the end, decentralisation is non-political and attracts support from all sides. The acid test will be next year's regional council elections, in which Mr Millon confirms he will be standing again.

Competition has encouraged a new level of innovation in banking

Uncomfortably competitive

BANKERS in Rhône-Alpes complain these days that their industry is starting to get uncomfortably competitive.

For their customers, that can only be good news. "The high level of competition in the region has encouraged a new level of innovation that you just don't find elsewhere," says Mr Jean-Luc Paris, whose job as deputy-director of the regional branch of the Banque de France is to help supervise the sector.

While lending margins are said to be even slimmer in Lyon than nationwide, bankers speak optimistically of the vitality of the economy they serve. "At least it's proof that there is business to do," adds Mr Vincent de Roux, director of the Rhône-Alpes, Auvergne, and Burgundy regions for Banque Nationale de Paris (BNP).

Certainly, the region's main banking centres in Lyon and Grenoble have been through a striking change over the past 15 years, from dull provincial money lenders at the beck and call of their Paris masters, to independent businesses providing a range of services.

They stretch from the provision of start-up capital for new business, to growing supply of development capital for more mature companies, to treasury management, financial engineering and foreign exchange trading. The disappearance of the Lyon bourse might be a blow to the region's *amour propre*, but few bankers shed any tears. "It's a false problem. The bourse was only one of many means of providing capital, not an end in itself," says Mr de Roux.

The region's banking industry is dominated by the big five; BNP, Crédit Lyonnais, Crédit Agricole, Lyonnaise de Banque and Société Générale. "There is no real leader, but much competition and a lot of creativity," says Mr Etienne Subra, the Banque de France's regional director.

Well behind them, a growing number of foreign banks are coming to Lyon. Out of the 12 foreign banks, seven are Italian, a satisfying return to the city's past as a financial centre in the 15th Century, when Italian financiers escaping from the Guelph-Ghibelline wars started trading there.

Five of the Italian banks in Lyon today have arrived over the past five years, the most recent including the Banco Nazionale del Lavoro and the Instituto Bancario Sao Paolo di Torino, which opened late last year. "They have European ambitions and see Lyon as the nearest financial centre," says Mr Subra.

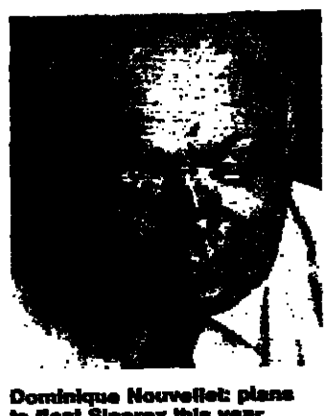
The region's own banks are reciprocating by extending their own links to Italy and other neighbouring regions. To take just two examples, the BNP's Mr de Roux sits on the board of his bank's Milan offshoot, while Lyonnaise de Banque has several years of experience in Italy, though it has trimmed some of its investments there after a plunge in profits last year.

The big five French bankers in the region have benefited from an unusual degree of decentralisation, even if the economic slowdown has exposed limits for some of them. It is not unusual, for instance, for a regional bank director to decide on a loan of up to FFr100m without having to call his head office.

The first to feel the pinch is Lyonnaise de Banque, France's largest purely regional bank, owned by CIC, the banking group which is controlled by Groupe des Assurances Nationales (GAN). After seeing its profits fall by 44 per cent in 1989, the group has by some miracle reduced its staff by 25 per cent without a strike, and managed a 12 per cent recovery in net profits last year.

The profits downturn also prompted the bank to rethink its international plans, as a result of which it sold a stake in an Italian retail bank – though it has kept another Italian investment – and disposed of an investment in a Lyon stockbroker. From now on, international expansion and share trading will be handled at group level by CIC, says Mr Michel Angé, Lyonnaise de Banque's director-general.

"Our regional organisation allows us to make decisions fast, but at the same time, there are certain logistic services which are best carried out at group level," he says. It is a distinction which clearly applies to any regional bank, especially at a time when margins are under pressure all round.



Dominique Nouvellet: plans to float Siparex this year

But at the level of the kind of services he wishes to provide in the region, Mr Angé has a free hand. He is developing a treasury management service for small businesses, opened two years ago, and has just opened a foreign exchange dealing room in Lyon. He is also considering drawing on the experience of UK building societies by offering insurance services, possibly from the GAN, in retail branches.

The banking centres in Lyon and Grenoble have been through a striking change over the past 15 years

Finance for small and medium-sized businesses is the bread and butter of banking in Rhône-Alpes – and it is here that some of the most interesting developments are taking place, with a fast growth in the provision of equity capital.

The epitome of equity capital for medium-sized businesses in the region is Siparex, an independent group founded 13 years ago, which is today one of France's leading providers of development capital. Mr Dominique Nouvellet, its director-general, has done much over the years to persuade conservative local businesses of the advantage of opening their capital to outside investors.

Mr Nouvellet is now about to do the same for Siparex and plans to float the group some time this year on the second market, to give his 300 shareholders an opportunity to realise their profits and to raise fresh investment cash.

With FFr1.3bn under management in 117 mostly family-owned companies, Siparex is highly international, 25 per cent owned by foreign venture capital groups and with offshoots in the US, Luxembourg and Switzerland.

Like the banks, Siparex is experiencing a growth in competition, which is tending to drive up the prices at which small companies can sell their equity to investors, says Mr Nouvellet. "We have to be very selective . . . but this region still has the advantage of lots of good independent companies managed by dynamic people," he says.

The other main providers of equity capital for small businesses are Sudinnova, a venture capital group partly owned by Lyonnaise de Banque; Rhône-Alpes Création, a start-up fund formed at the start of this year by the regional council; the Société de Développement Régionale du Sud-Est, a regional development authority founded in 1955; and Banque de Vizille, a Lyonnaise de Banque subsidiary created three years ago to provide later stage financing and handle mergers and acquisitions.

On top of this, there are the development capital departments of the main banks, one or two US and UK venture capital funds based in Geneva and the two-year-old Lyon office of 3i, the British venture capital giant.

If there is one thing hindering the expansion of development capital in Rhône-Alpes, it is that the region is not yet well known among big foreign – or even French – institutional investors.

"The market is still dominated by Paris. We do not yet have an Edinburgh-type situation in France," says Mr Philippe Valode, chairman of Banque de Vizille, referring to the Scottish city's powerful investment institutions. The big challenge for Lyon's bankers and development capitalists is to use their relative independence to change all that in the years ahead.

William Dawkins

William Dawkins discusses the lessons learned in Vaulx-en-Velin

Rethink on social problems

UNTIL recently, very few people outside Rhône-Alpes had heard of Vaulx-en-Velin.

This obscure little Lyon suburb, a jumble of 1960s tower blocks encircled with motorways, sprang into unhappy notoriety last October when several hundred youths went on the rampage, burning down a local shopping centre, followed by more unrest in neighbouring districts. The violence was probably worsened by troublemakers from outside, whose kind were also present at a similar outbreak in Argenteuil, near Paris, a few months later.

Triggered by the accidental death of a young Spanish motorcycle passenger, after a crash involving a police car, the Vaulx-en-Velin riots were the worst urban violence since a similar outbreak in another Lyon suburb 10 years ago. Only last weekend violence broke out again in Vaulx-en-Velin, when youths set fire to cars in what was believed to have been a gang quarrel.

These events showed how for all its prosperity and dynamism, not all of the region has escaped the social problems present under the surface in much of the rest of France – and which increasingly trouble the government's conscience. "Nobody is sheltered from these events. They were the consequence of a profound moral and social crisis which affects all of France," says Mr Maurice Charrier, Vaulx-en-Velin's Communist mayor.

Today, the street market is back in the Taureau-du-Mas district where the violence broke out and daily life has returned to its normal routine. The residents want to forget last autumn's aberration. Yet the events remain highly sensitive among local politicians, if only because Vaulx-en-Velin used to be held up as a model of sensible urban planning.

For the unrest broke out just as Mr Charrier and his colleagues were celebrating the completion of a three-year FFr40m restoration scheme for Taureau-du-Mas. With its spacious sports hall, social centres and market place, the town seemed to have at least the infrastructure required for harmonious urban living.

However, it was clearly not enough to neutralise the classic social ingredients for urban strife in Vaulx-en-Velin. About 20 per cent of its 45,000 inhabitants are jobless, more than twice the Rhône-Alpes regional average, well over half of them are under 30 and just over 28 per cent are of foreign, mainly North African, background.

Unhappy notoriety: police guard a shopping area devastated during riots in Vaulx-en-Velin last October

Local residents reckon race was an element – but not the main one – in the riots. A warnings sign had already come in the form of an unusually high 17 per cent showing for the far-right National Front at Vaulx-en-Velin in the 1989 municipal elections.

The spark that finally ignited this volatile mixture was the poor relationship between police and local residents, believes Mr Charrier, who is pledged to improving co-operation between the town hall and the police.

Indeed, the riots at Vaulx-en-Velin have provoked a government rethink about whether enough is being done to tackle the problems of the 400 urban areas like it registered as requiring special action because they show unusually high joblessness, poverty and high immigrant populations.

The first step was when President François Mitterrand, fresh from a conference on urban problems held in Bron last December, appointed France's first Minister for Cities, Mr Michel Delebarre.

The new minister has wasted no time in tabling plans to shift tax revenue from rich towns to poor ones and to encourage the development of cheap housing in prosperous areas, in an attempt to avoid the creation of ghettoes.

The schemes, criticised by some right-wing MPs as covert favouritism for Socialist cities, have been presented to parliament for consideration. The debate got off to a passionate start at the end of last month, rekindling France's political divisions after the consensus inspired by the Gulf War.

At the same time, all involved are hoping to draw wider lessons from the experience of Vaulx-en-Velin and others like it.

Lament for the loss of Lyon's stock exchange

In search of a new role

LYON'S stock exchange finally bade farewell to the city that had harboured it since medieval times in January, when it and France's five other regional markets merged with the Paris bourse into a single national stock market.

The move was the inevitable result of the arrival of continuous electronic trading and completes the modernisation of the French stock market. Clearly, it is a blow to Lyon's hopes of creating a financial centre independent from the centralising hegemony of Paris – a theme dear to the heart of the city's financiers – and leaves the local market professionals searching for a new role.

"I am still optimistic because the notion of regional financial centres in Europe cannot fail to emerge. Even so, the seed from which we hoped to grow a financial metropolis has gone," mourns Mr Gérard Delore. His family has for three generations run the stockbroking firm which bears its name and which is one of only four Lyon-based firms left out of the eight that did business in the city as recently as 1987.

Lyon's brokers have suffered even more then their Paris counterparts over the past few years from pressure on commissions and falling brokerage. All the survivors have sought safety by selling out part or all of their capital to rich Paris-based banking partners. But not even that has been a guarantee, as brokers Girardet discovered last autumn, when it collapsed under the weight of heavy losses and a financial scandal, after its partner Crédit National, refused to back it any further.

Gérard Delore, has been controlled by Banque Internationale de Placement (BIP) since July 1989. The others are Richard, which fell into the arms of Banque Pallas last August when Lyonnaise de Banque wanted to pull out; Michaux, which became an associate of Crédit Lyonnais last year; Vincent Brac de la Perrière, which has linked up with the treasury bank, Banque d'Arbitrage et de Crédit; and a handful of branch offices of Paris brokers, most of which have ceased equity trading from Lyon.

Lyon, formerly France's second most active exchange, had fought harder than any provincial market to carve out an independent role. This was embodied in the creation in 1983 of a thriving secondary market, based on London's Unlisted Securities Market, which temporarily reversed an emigration of listings and turnover to Paris seen during the 1970s.

By the end of January, the secondary market boasted 63 companies and a capitalisation of FFr13.8bn, just over a tenth of the size of the Paris second market and nearly twice the size of all the other regional second markets put together. Top performers include ECCO, the world's third largest temporary work agency, Clairbois and Smoby in toys and Alain Manoukian, the fashion chain. Alongside it runs a thriving over-the-counter market for companies too small for a second market listing.

Now that Paris has swallowed the broking business, the local players see that their main roles are in providing research and a brokerage service for smaller company shares with restricted markets and continuing with their exiting portfolio management business.

Some have found new roles in their partners' groups, such as Delore, which runs a back office for the three other brokers in the BIP group, and Richard, which heads Pallas' broking arm.

But Lyon still has a big role to play in handling introductions to the national stock market for companies too small to be of interest to Paris-based advisers, believes Mr Louis Thannberger, the former director for Lyonnaise de Banque who was one of the driving forces behind the creation of the second market.

Mr Thannberger, a flamboyant and sometimes controversial figure, founded a securities house, Lyon Finance et Industrie (LFI), four years ago on the strength of the belief that there is a growing need for equity capital among France's thousands of family-owned businesses.

LFI, is not a broker, but specialises in bringing small and medium-sized companies to the stock market. Mr Thannberger was hit hard by the 1987 crash, but has so far handled 27 second market listings – two in Germany – and 13 over-the-counter flotations, more than any of his French competitors.

William Dawkins

PROPERTY

Steady price rise continues

THE Lyon property market is one of the few areas where the Rhône-Alpes economy is genuinely independent from the influence of the Paris region.

Prices of office and residential property in Lyon have risen at a steady 15 per cent to 20 per cent over the past four years and show no signs of slackening, according to local developers. This previously unheard of growth comes at a time when the speculative froth is being blown off the Parisian property market as investors demand more realistic prices from promoters of some of the more expensive developments.

French and foreign institutional investors are for the first time pushing up the Lyon market by snapping up the big projects, says Mr Guy Brun, managing director of Sogelym, the city's largest property developer, ahead of Batir – a subsidiary of the Bouygues construction group – and Nouveaux Constructeurs. According to UK property consultants Jones Lang Wootton, foreign buyers are taking 30 per cent of all new developments in Lyon.

Malmros, a Swedish investment group, was the first big institution to enter the market, when it bought 20,000 square metres of office space in La Part Dieu commercial centre and the suburb of Villeurbanne for FFr200m two years ago. The Société Suisse d'Assurance invested FFr250m six months later in developing its own 16,600 square metres office building.

New ground was broken again three months ago, when the Scottish investment fund, London and Edinburgh Trust, paid FFr85m for Le César, a small but very high prestige office building in La Presqu'île, representing nearly FFr25,000 per square metre, a record for Lyon. Danish, Dutch, Japanese and US investors have also been buying recently.

Another factor is a growing influx of small French service businesses formerly based in western France, who are choosing Lyon for its good connections with Paris, and with neighbouring European regions via the TGV and Satolas international airport, believes Mr Brun.

Even after price rises of up to 50 per cent over the past four years, mid-range Lyonnais office space can be bought for between FFr9,000 and FFr13,000 per square metre. This compares with the FFr40,000 to FFr70,000 for similar properties in Paris, and is also significantly cheaper than neighbouring Geneva, says Mr Brun. The high priced Le César deal was exceptional. Yields on office space stand at between 7.5 per cent and 8 per cent.

Supply is more or less in line with demand. Of the 180,000 square metres of office space developed last year, 80 per cent was sold, though the market is carrying no stock in 1991, says Mr Brun.

He likens the Lyon property scene to Milan and Barcelona, a one-time provincial market which is now becoming international. According to a study by Balaÿ Prenot, a property consultant in the city: "Lyon can be seen as becoming a bridgehead for foreign companies – Swiss in particular – anxious to be well-represented in one of the most active cross-border regions in the future single market."

William Dawkins

William Dawkins visits the region's two main economic centres

France's international cities

IT IS no accident that Lyon and Grenoble, the region's main economic centres, emerged in a recent economic survey as France's first and second most international cities.

The political authorities in both have over the years developed efficient organisations for welcoming foreign companies, Aderly in the case of Lyon and Grenoble Isere Développement for Grenoble.

Other criteria listed in the survey, by the French Institute of Urban Economy, were higher than average levels of foreign investment, a higher ratio of export sales than the national norm and more foreign air and telephone traffic than other provincial French cities.

Yet, at the same time, Lyon and Grenoble both plough individual furrows, a division mourned by some as a hindrance to regional unity, but nevertheless a reflection of their genuinely different interests.

Lyon's *métier* is to be the regional banking and industrial centre, strong in sectors such as chemicals, pharmaceuticals and engineering.

For lifestyle, it offers some of France's finest restaurants, an active arts scene and splendid renaissance architecture in the winding streets around its twin rivers, the Saône and the Rhône.

Grenoble, meanwhile, continues to play on its position as France's main centre for technology and research outside Paris. As for lifestyle, even its supporters admit that Grenoble is an ugly – though highly efficient – city.

The joy of living there is in the breathtaking mountain scenery around it and its proximity to some of the French Alps' finest ski resorts.

A closer look at what they have to offer to foreign investors follows.

LYON

Dynamic hub

MICHEL NOIR, the mayor of Lyon, has had to double the town hall's entertainment budget this year to keep pace with the growing number of foreign delegations prospecting in the city for a suitable industrial base.

The anecdote reveals much about how Lyon, both blessed and irritated by being France's second city – with 1.2m residents – is starting to reap the fruits of its efforts to become an important international transport and business hub. It is a target shared by scores of European cities of its size and the competition is tough.

"It's going well. Lyon is as dynamic as ever," says Mr Noir, who illustrates his optimism by pointing to the growing number of new industrial arrivals, the rise in property investment by foreign investors, the increase in traffic at Satolas international airport, and Lyon's deepening links with other so-called "second cities" in Europe.

Lyon's European claims go back a long way. The former capital of ancient Gaul, Lyon was an important banking and trade centre during the renaissance and later the centre of the French textile industry. It provides the world headquarters for Renault Véhicules Industriels, France's leading truck maker, Crédit Lyonnais, the country's third largest bank and Institut Mérieux, the world's largest vaccines maker, among other leading industrial players. It is a mix of industry that provides the foundation for what Mr Etienne Subra, director of the regional branch of the Banque de France, maintains is "a rich, diversified and dynamic economy".

The most recent catch by Aderly, the city's economic development agency, is Ikea, the Swedish home furnishings chain, which will next year open its supplies and logistics centre for southern Europe near the city. ICI, the British chemicals group, is planning to establish a European agrochemicals factory there in 1993, joining existing residents in the sector such as the agrochemicals divison of Rhône-Poulenc, and the local units of Monsanto and Shell.

As well as competing against rival European cities, Lyon is collaborating with them on matters of common interest.

"This affirms not only the importance of co-operation between European regions, but also between cities. I am sure that we will move towards a Europe of cities," says Mr Jean Chemain, president of Aderly.

The Trains à Grande Vitesse (TGV) could provide the first indication of the usefulness of this kind of collaboration, in that the Rome and Paris governments are now studying plans for a link between Lyon, Turin and Milan.

Like Grenoble, Lyon is finding that its three universities are near bursting point. The city is renovating a former tobacco factory to take some of its 80,000 students.

GRENOBLE

Research community

SUN MICROSYSTEMS, the US computer producer which is the latest foreign company to set up in Grenoble, provides a textbook example of how the city authorities are trying to improve their reception for foreign investors.

True, not everybody has had such an easy ride as Mr Jean-Pierre Baudoin, the executive in charge of Sun's first software engineering centre outside the US. But his experience is revealing because Sun Microsystems last spring became one of the first newcomers to be handled by Grenoble Isere Développement(GID). The agency was launched last year by Mr Alain Carignon, the mayor, to merge the city's various development organisations to make them stronger and more efficient.

"We had to choose within four weeks between France, southern Germany and Italy. GID gave me all the information I needed to make a full presentation to the board. It found me temporary premises and guided us through the maze of paperwork," says Mr Baudoin. His is one of 120 companies based in the Zirst, a business park just outside the city.

Grenoble began to take off as a technological centre in 1957, when the CEA nuclear energy agency opened its national research institute. The city boasts 10 research institutes, eight engineering schools and three universities, making it the biggest research community outside Paris.

It has attracted such prestigious organisations as Hewlett Packard, the US computer giant, a 20-year-old resident, and more recently the European Synchrotron Facility, a pan-European project for using powerful x-rays to study materials, plus the French arm of SGS-Thomson, the Franco-Italian microchip group.

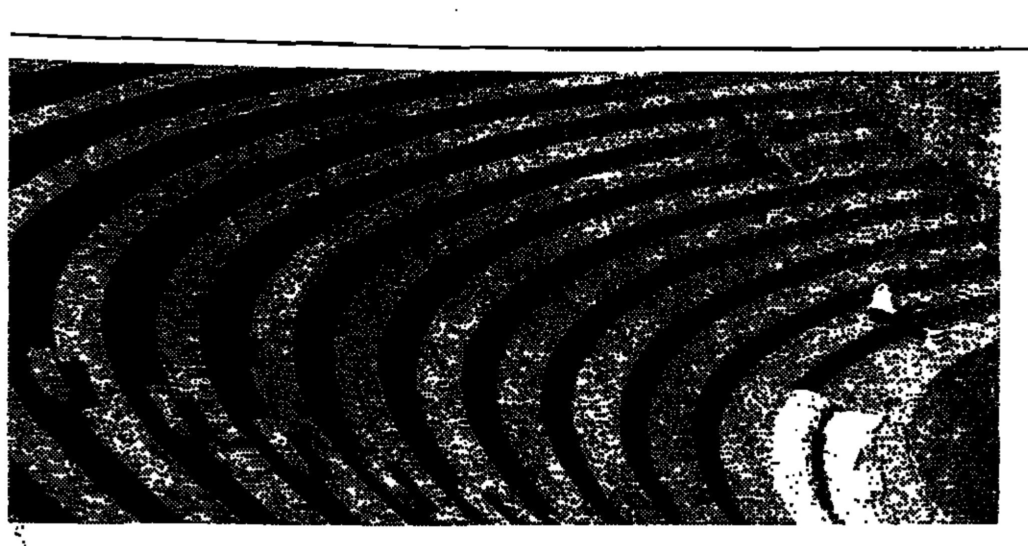
The city is equally capable of creating its own skills. It is the birthplace of Cap Gemini Sogeti, Europe's largest software company, Merlin Gerin, the leading French electrical engineering group, and now sees the emergence of 500 new companies annually, estimates GID.

Like his counterpart in Lyon, Mr Carignon believes in pushing decentralisation as far as possible. One of the things that makes Grenoble different is its tightly focused industrial policy. "We are not afraid to get involved in industry."

Together with other local authorities in the Isère department, Mr Carignon has presented a plan to the Education Ministry in Paris for a university near the Isle d'Abeau industrial park, on the department's western border near Lyon.

While Grenoble does also have a traditional industrial base, with companies such as Caterpillar in earthmoving equipment and Becton Dickinson in medical suppliers, it does tend to suit a specific kind of company.

"Yes, there is a lot of know-how in Grenoble. The problem is that you have to pay a fortune for sub-contracting work," says Mr Laurence Briggs, chairman of GT Technologies, a medical equipment producer, which recently bought a small company in Grenoble. For that reason, he prefers to buy a sub-contractor in the US rather than produce at his research base in Grenoble.




One of the Roman theatres at Fourviere, on the hill above Lyon. Right: Climbing the steps to La Croix-Rousse, one of the districts of Lyon

Barbara Casassus discovers the region's leisure facilities

A feast for inquiring minds

THE Rhône-Alpes region is probably best known for its food, winter sports, and strong economy, although not necessarily in that order. The world's biggest concentration of top restaurants is claimed to lie within some 50 miles of the region's capital, Lyons, the Savoie département encompasses some two thirds of France's downhill ski resorts, and the economic wealth is second only to that of Ile-de-France around Paris.

Much of the rest is for the inquisitive. Even those people whose job it is to promote the region's tourism admit that its main appeal is one of discovery – for example, the many medieval villages with well-preserved architecture would be absent from any sightseeing itinerary of big name monuments.

Nature has endowed the region with attractions for people of most tastes, apart from the most ardent of sea worshippers. Mountains, hills, forest, rivers and lakes follow each other in rapid succession to focus on the Valley of the Rhône and the French Alps.

The architectural heritage dating from the days of the Roman Empire is varied, too. Remains of amphitheatres, villas, thermal baths, paved streets pepper the region. Most striking are in Lyons, which was founded 2,500 years ago and was the capital of the Gauls, Saint-Romain-en-Gal, Vienne, Aix-les-Bains and Larina.

Multiple-castled abbeys were built between the Middle Ages and the French Revolution in 1789. The styles range from the Carthusian vigour of the Abbey Saint Antoine and at Charlieu, to Roman purity at Cruas and Cremieu, Gothic flamboyance at Brou and the Abbey of Hautecombe and baroque exuberance in the churches and chapels of Maurienne and Tarentaise.

Starting in the 13th Century the towns came to the forefront with the development of the financial trade. The restored renaissance district of St Jean in Lyons with its red clay roofs, is one of the finest products of the era that made France's second city a leading industrial centre . One of Lyons' most striking features is its site. It is built along two rivers, the Rhône and the Saône, and on two hills, the Fourviere and Croix Rousse, offering a magnificent array of contrasting views. It is a pity, though, that the country's main motorway from Paris to the south coast runs through the middle of the city instead of around it. Lyons is down in history as the home of Rabelais when he wrote Gargantua and Pantagruel in the 16th Century and of theworld's first banknotes. It will host the start of the Tour de France cycle race in July for the first time this year, adding just one more event to its usually busy schedule.

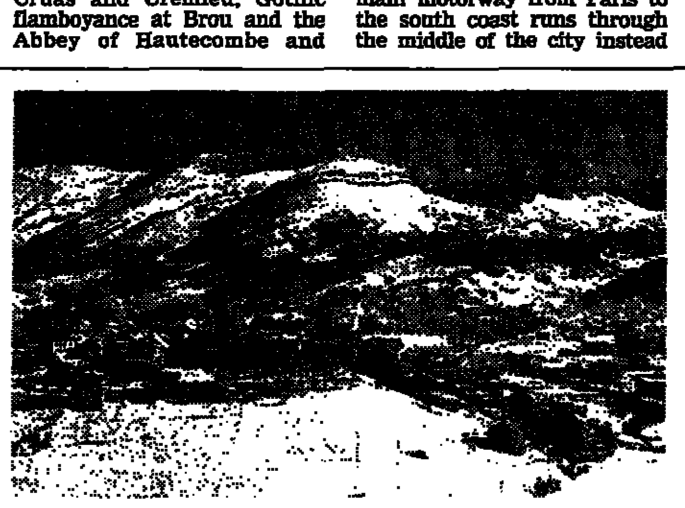
Ahead are the first biennial contemporary art exhibition and festival of French music – the successor to the Berlioz Festival, which will also alternate with the biennial international dance festival. In June, the local people will assemble for a parade, ball and show, bearing pennants form their districts to commemorate the period in the 13th Century when the city was divided into "pennonages". On December 8, they will again celebrate the Feast of the Immaculate Conception with the Festival of Light. Millions of lights of all colours, shapes and sizes will be placed in windows and on balconies, transforming the city into a blaze of glory and marking the sudden disappearance of the plague in 1643 after nearly 80 years.

Another celebration to come is the inauguration of the renovated Opera House in January 1993. Rather than echo the Parisian example of a completely new building, Lyons is preserving the four walls of its 1831 theatre, but is gutting the interior and building a new higher roof to accommodate all the facilities a modern opera house needs.

The huge vaulted glass and aluminium roof, which tops the new classical facade, had to be lowered from the original design after a series of protests from local dignitaries. The bill for the project was originally expected to total FFr155m but will be nearer FFr400m. The locals reject any idea of extravagance, however, lamenting the fact that more than 60 per cent of the French cultural budget is spent in in the Paris area.

Meanwhile, no visitor to Lyons should miss the historical textile museum, which houses sumptuous locally-made silks, as well as brocades and a number of other textiles from France and abroad.

Food is, of course, worth taking time over. Some of the most illustrious French chefs, including Paul Bocuse, have helped bring the region's rich and diverse agricultural produce to the table in forms ranging from the most sophisticated to the most simple, such as a tripe dish known as "fireman's apron".



Villard de Lans: a breath of oxygen to the ski industry

Ski slopes revitalised

Winter of contentment

EARLY snowfalls last December brought a desperately needed breath of oxygen to the region's ski industry.

They followed three dismal years of little snow, little revenue and not much hope, leaving operators to wonder only whether winters worthy of the name were a phenomenon of the past.

By the end of the last Christmas holidays, the sector was looking healthier. Ski lift takings in the French Alps had reached an all-time high for the period and, when the final figures are in, resorts expect to have earned at least as much as they did in the peak 1985-86 season, when 10 per cent of French people took winter sports holidays of four nights or more.

The return *en masse* to the slopes also debunked the theory that distant sunshine had replaced winter sports as the fashionable winter break. "The two types of holiday do not compete," commented Mr Jean-Pierre Vezinet, director of research and development of mountain tourism at the Ministry of Tourism. "The people who go to faraway places are not the same as those who practise winter sports."

Next February's winter Olympics in the Savoie town of Albertville will give the area another boost, with a wide ripple effect on longer term economic prospects. "It would have taken 15 years instead of five to spend the same amount on infrastructure for Savoie if it had not been for the Games," said Mr Henri Piganeau, who is in charge of monitoring the economic impact of the event at the Savoie Council, or conseil général.

Traffic jams in the département which is home to two thirds of French downhill ski resorts, are legendary. They hit the national headlines in February for breaking a 10-year record, partly because of new school holiday arrangements.

But tailbacks of up to 10 miles, a regular Saturday sight during the high season from February to April, should no longer exist after completion of the road and rail links built for the Olympic Games. Public spending to accommodate the event will total FFr5bn. Most is coming from central government funds and FFr4bn will go into roads. These improvements with the promise of lower production costs should encourage existing companies to expand their operations and new ones to settle here, Mr Piganeau suggests.

By the end of 1989, job creation in Savoie was outstripping the average for the Rhône-Alpes region, 1,619 new enterprises had been created during the year and before that industry had expanded in 1988 for the first time in 10 years.

The return of the snow has not, however, pulled ski equipment manufacturers back on track. Salomon, the world's largest ski binding manufacturer, and Rossignol, France's leading ski maker, have both plunged into heavy losses this year.

They have suffered from an unhappy mix of falling demand for winter sports equipment, a shrinking golf market and a decline in the value of the US dollar and Japanese yen against the French franc.

Salomon, which dropped FFr300m on foreign exchange, is expected to report a net loss of between FFr200m and FFr250m for the 12 months to end March. Although an improvement on its FFr166m loss in the first half to the end of last September, this would still be much bigger than the FFr91m deficit of the year before. Sales are forecast to drop by 20 per cent to FFr2.6bn for the year from FFr3.2bn previously.

The Annecy-based company insists that the worst is over. It has reduced fixed costs by FFr250m since last August, and will reduce by another FFr90m in the 1991-92 financial year, bringing the cut back to 20 per cent of the total.

A total of 460 job cuts last June and the extra 100 in France announced in March are aimed to help Salomon break even or even make a small profit in the year ahead, according to managing director M Jean-Francoise Gautier. Another 20-40 jobs may also be shed by the company's US golf subsidiary Taylor Made.

On the brighter side, the firm's debt in March stood at slightly under 50 per cent of its own funds, compared to 100 per cent in the early 1980s, he adds. Moreover, Salomon's first excursion into ski-making has been more successful than expected. A total of 80,000 pairs of the single skin skis were sold against a projected 70,000.

In the longer term, the firm aims to reduce its dependence on climate by dividing turnover equally among winter sports, golf and summer activities, still to be defined. Meanwhile, work is in progress on a mysterious "new technology" for golf equipment, Mr Gautier said. The product will be unveiled next year.

Ski Rossignol's loss forecasts have steadily worsened as the months have gone by. The latest prediction given in March by the Grenoble-based firm, was for a net loss of more than FFr130m for the 12 months ended March 31.

Exchange losses on the dollar and yen totalled about FFr125m and a new medium-term borrowing took the debt/own funds ratio up to 93 per cent. Even so, the stable volume sales of skis increased the company's share of the contracting world market to more than 30 per cent for the first time.

The aim is also to break even in 1991-92, chairman M Laurent Boix Vives, said. Lower fixed costs should save about FFr60m and productivity gains FFr15m, while higher prices should earn an extra FFr509m, he explained. Another 120 jobs will be lost this year on top of the 180 cuts in 1990-91.

Barbara Casassus

BUSINESS GUIDE

By Olivier Duran

ADERLY: Association pour le Développement Economique de la Région Lyonnaise. 3 Place de la Bourse. Lyon 69002. Tel. 72 40 58 58, Fax: 72 40 57 35. Manager: Robert Maury.

EPIDA: Etablissement Public d'Aménagement de l'Isle d'Abeau, BP 208, 38081 l'Isle d'Abeau, Cedex. Tel: 74 27 25 00 (freephone) 05 27 24 22), Fax: 74 27 04 14. Director of Economic Development: Alain Dechambenoit.

Grenoble Isère Développement: 1 Place Firmin-Gautier, 38028 Grenoble Cedex. Tel: 76 70 97 97, Fax 76 48 07 03. Contact for new arrivals Martine Augoyard.

Chambre Régionale de Commerce et d'Industrie de Rhône-Alpes: Quai Achille-Lignon. BP 6303, 69466 Lyon Cedex 06 Tel: 78 89 29 29, Fax: 78 89 64 37. The eight departments of the region all have one or two Chambers of Commerce. Manager of the Centre Régional d'Accueil et d'Informations des Industriels is Jean Taton.

INSEE Rhône-Alpes: Cité Administrative de la Part-Dieu, 165 Rue Garibaldi, BP 3196, 69401, Lyon Cedex 03. Tel: 78 63 25 05, Manager: Jean-Edouard Rochas. This is the state-run documentary and statistical bank, capable of giving you, in detail, the consumer habits of the "Rhône-alpines", average wages and other local statistics. A good starting point for market research. (Contact: Bernard Le Calvez.)

ERAI: Entreprise Rhône-Alpes International Quai Achille-Lignon, BP 6303, 69466 Lyon Cedex 06, Tel: 78 89 72 70. Contact: Thierry Bernard. This is the body responsible for the regional economic and industrial promotion.

Rhône-Acceuil: Association to help visitors. Tel: 78 42 50 03.

Aéroport International de Satolas: Tel: 72 22 72 21.

Info Train à Grande Vitesse: Tel: 78 92 50 50.

Accommodation: Temporary accommodation in Lyon can be found at several hotel residences, such as Orion (72 40 43 40), Citadines (78 62 12 12) and Port de Lyon (78 47 57 87).

Functions, congresses, seminars: Office de Tourisme de Lyon (Central reservation for hotels). Tel: 78 42 25 85. Palais des Congres Internationaux de Lyon. Tel: 78 93 14 14. Centre "Espace Tete d'Or" de Lyon. Tel: 78 94 69 00. Parc des Expositions de Lyon Eurexpo. Tel: 72 22 33 44.

Parc des Expositions Alpexpo de Grenoble: Tel: 76 39 66 00.

International education: Lycée International (new premises under construction) Tel: 78 83 64 82. Creches Bilingues Tel: 70 00 60 62. Universities Tel: 78 89 81 24.

Restaurants in Lyon

Brasserie Georges: This 150-year-old establishment with its decorated ceiling was restored a year ago, in the tradition of the great railway station "brasseries". 30 cours de Verdun, Lyon 2.

Bourillot: In one of the prettiest squares of the town, and in surroundings of good taste, with very refined cuisine. 8 place des Celestins, Lyon 2.

La Tassée: Near the Place Bellecour, this is a temple of Lyonnaise specialities and has an extensive wine cellar.20 rue de la Charité, Lyon 2.

Le Bistrot de Lyon: Another traditional Lyonnais establishment. The menu, concocted by one of the best chefs in town, Jean-Paul Lacombe, is always very imaginative. 61 rue Mercière, Lyon 2.

Nandron: A good place to spot visiting politicians — also has a good view of the Rhône. 24 quai Jean Moulin, Lyon 2.

Le Café des Fédérations: Historic bistro, good traditional cooking. 8 rue du Major Martin, Lyon 1.

La Tour Rose: Located in the renaissance quarter of Vieux Lyon, in superb architectural surroundings, its young chef Philippe Chavent is among the city's best. 16 rue de Boeuf, Lyon 5. Tel 78 37 25 90).

L'Oeuvre de Fourvière: Poised at the summit of Lyon in the precinct of the Basilique de Fourvière, this establishment gives a splendid view of Lyon. In clear weather, you can see the Alpes from here. Precinct of the Basilique de Fourvière.

Collonges-au-Mont-d'Or: Paul Bocuse, 12 km north of the city, considered by many as one of the best restaurants in France. Pont de Collonges.

Restaurants in Grenoble

Manoir des Dauphins: Highly recommended for its rabbit pie with plums, as well as its fish casserole. 48 Cours Libération.

Poularde Bressane: A high level of comfort. 12 Place Mistral.

Restaurants in Saint-Etienne

Pierre Gagnaire: Original and creative cooking. 3 Rue G.Tessier.

Le Bouchon: Excellent seafood. 7 Rue Robert.

PROFILE: Groupe ESC Lyon

International view

FOR companies seeking to employ qualified young executives in the region or to train existing staff, Rhône-Alpes boasts four business schools, able to supply MBAs, research, and management development programmes.

By far the largest and longest established is Groupe ESC Lyon, whose 100 permanent teaching staff makes it around four times the size of its nearest equivalent, the Ecole Superieure de Commerce in Grenoble, founded six years ago. Management training is also available in the Alpine town of Chambéry and at St Etienne, the former textile and steel centre now trying hard to develop new industries.

Groupe ESC, founded in 1872, is one of the France's four most prestigious business schools, but claims to be more internationally-minded than the others. Its 5,000 alumni are scattered across all of France's main industrial companies, as well as some foreign ones, such as Hewlett Packard where Mr Jacques Clay, director of the microcomputers, is a Groupe ESC graduate.

"The concept of being a good national school is no longer important to us. We have to be known at a European level," says Mr Bruno Dufour, the school's director-general. He also heads a FFr100m turnover sportswear firm which he reckons gives him an entrepreneurial edge in running the school. Groupe ESC funds 80 per cent of its own budget from fees and research contracts, which means it has to behave more like an independent company than the state-recognised institution it is, he argues. The rest comes from the Lyon Chamber of Commerce and corporate sponsors.

As evidence of the school's ability to look beyond France, up to 15 per cent of its 800 students and 20 per cent of the teaching staff are non-French. Mr Dufour aims to double the proportion of foreign students to 30 per cent in the next three to four years, by when the completion of a new building due in August will allow student numbers to grow to 1,200.

Naturally, the type of course on offer reflects the school's outward-looking viewpoint. Later this year, the first batch of 80 students are due to graduate from a bilingual one-year European MBA programme, run jointly with Cranfield School of Management in Britain, under which participants have the option to spend one term in the UK. Around a fifth have taken the option, which means they will emerge with MBAs from both schools.

For the normal three-year degree programme, Groupe ESC also runs exchanges with 11 foreign universities in Germany, UK, Italy, the Netherlands, the US, Canada and Japan, under which students can take their second year abroad. Foreign students from the partner universities can equally take a year in Lyon.

One restraint on Groupe ESC's plans is a European-wide shortage of management teachers, especially bilingual ones. For that reason, the group has just started a bilingual management teacher training programme in partnership with universities in Koblenz, Milan and Barcelona.

William Dawkins

TELEVISION

The battle against the busybodies

Christopher Dunkley looks at a Channel 4 season on censorship and the issues it raises

Is there anything more ridiculous than a group of busybodies who first declare that certain programmes or films will deprave and corrupt the onlooker and then announce – with completely straight faces – that they intend to spend their time watching precisely this sort of work, especially the most extreme bits, in order to censor them to protect the rest of us? If their first proposition is true, either they will rapidly become the most depraved and corrupted members of the community and thus the worst possible people for the job, or we are required to believe that they have found some means of viewing without succumbing to depravity and corruption, in which case all they need do is share their secret with the rest of us.

If there is no sight more ridiculous, there may be one even more infuriating, and that is a group of politicians (people with an over developed tendency to boss others about) telling the rest of us that details of certain matters – from safety in the nuclear power industry to the routine tapping of telephones belonging to pacifists or Labour prime ministers – are to be concealed from us "for our own good". In those who have seethed throughout their lives at Britain's propensity towards secrecy and censorship, only one thing causes even greater anger and that is the apparent indifference of most of their fellow citizens.

Britons do not, on the whole, share that useful suspicion of all forms of authority which is so widespread among the French, and they seem to lack that instinct which you find throughout American society to put the right of the individual to know what is being done in his name above other rights. Perhaps the British are just too nice and trusting. They seem to think that if a cabal in Westminster wants to keep something a secret there must be a jolly good reason; and if some other group says that a television programme is too sexy or too outspoken, well that's probably right, isn't it, because they know best, don't they.

Perhaps the three-week season called "Banned", beginning on Channel 4 on Monday, will help open up a few cracks in this complacent quietism. Given that the British are such respecters of authority, it is a season of some courage, consisting of specially made programmes and a collection of previous works which, for one reason or another, have become *causes célèbres*, usually because they have been censored, or banned outright. Some items will be getting their first showing on British television, and others can still be screened only in specially bowdlerised versions.

Uncensored: John Cleese, Michael Palin and Graham Chapman in Life of Brian

Dusan Makavejev's 1971 film *W.R.: Mysteries Of The Organism*, for instance, is being screened on the first night of the season with the erection in the famous "plaster-casting" scene carefully obscured by peculiar flashes of light, inserted by Makavejev himself at the instigation of Channel 4 in order to make the work acceptable to the Powers That Be. (Don't be surprised if the Rokeby Venus is wearing a big pair of navy knickers next time you visit the National Gallery). With or without the bursts of multicoloured light, *W.R.* is a bitty and rather tedious film, but this particular act of censorship, on the first evening of the season, is a vivid indication of just how crass and supercilious are those who presume to know better than we do ourselves what you or I would choose to see from this particular film maker.

Before that, the opening programme of the season (which, like Topsy, seems to have just growed, running now to more than 70 hours) is the first in a three-part sequence of documentaries called "The Truth About Lies", reviewing censorship in the 20th century. Anyone who feels that this column is making a song and dance about nothing because "even the most civilised forms of government must involve state secrets, yawn yawn" might at least have a look at this programme and consider its catalogue of lies, suppression and government bullying.

Starting with the way the British at home were deliberately misled about the battlefield realities of World War I, it moves on to the BBC's relationship with the government during the 1926 General Strike (after which John Reith wrote in his diary "They want to be able to say that they did not commandeer us, but they know that they can trust us not to be really impartial" a quotation which this programme oddly ignores), then the conspiracy of silence among the British mass media over Edward VIII and Mrs Simpson, government restraint of anti-appeasement sentiments in the 30s, and the stifling of the facts about Nazi genocide extending even to the suppression of Hitchcock's 1945 documentary about Belsen.

The review becomes no less depressing after the war: the hushing up of the Windscale fire, the official lies over Burgess and Maclean, the suppression of the Commander Crabbe incident (most people have still not heard the truth about that one), endless mendacity over Northern Ireland, and an inventory of named cases which goes on and on: Philby, Tisdall, Ponting, "Spycatcher" – the common characteristic is the determination of the establishment to keep the public in the dark.

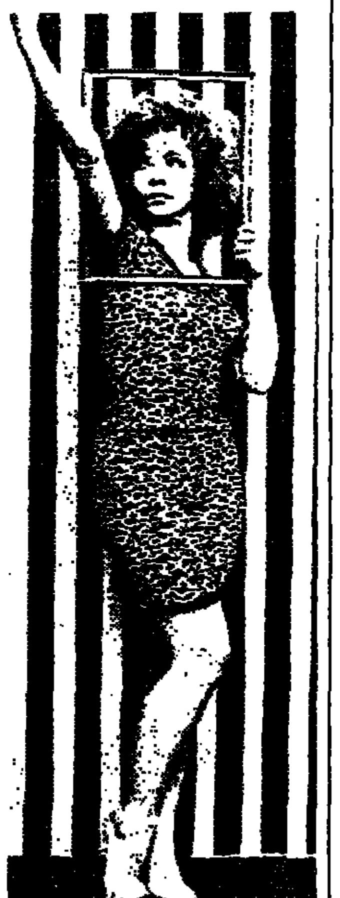
Neither this programme nor the second, sub-titled "The Big Lies Of The 20th Century" covering such huge propaganda campaigns as those of Stalin and McCarthy, nor a third later in the season called "Sex And The Censors" (they are made by Nicholas Fraser and Michael Jones of Panoptic) is the most inspired documentary you have ever seen. Nor, given the subject, are they the most impassioned or hard hitting that you can imagine. But in a workmanlike way they do make utterly clear where the trouble has always lain and where it still lies.

Three topics above all frighten the busybodies: God, sex, and politics. A week into the season Channel 4 provides the first screening on terrestrial television of the Monty Python team's 1979 movie *The Life Of Brian*. The reason this has had such a troubled history is that it is not merely *Carry On Up To Calvary* but has some genuinely felt contempt to heap upon the more ridiculous aspects of religion (and, incidentally, politics, especially the politics of communist fringe groups). Hailed as the Messiah, Brian denies it. "Only the true Messiah denies his divinity!" shouts one follower. "What sort of chance does that give me?" asks Brian "All right, I 'am' the Messiah". The crowd roars "He is the Messiah!" at which Brian shouts "Now fuck off!"

Those with a belief in one particular version of the supernatural will claim that this is blasphemous, but if the freedom of expression of which we boast in Britain does not allow for the use of powerful language to heap scorn on the Catch 22s of theology then we should find some word other than "freedom" to describe what we are allowed to express.

Naturally politics features throughout the season, dramatically as early as Day 2 (next Tuesday) which brings a remake of Duncan Campbell's programme "Secret Society: Cabinet". This had to be remade because the BBC, which commissioned it and said it would broadcast it, never did so and has refused to sell it to Campbell or Channel 4 for this season. The irony is that the programme has so far been bedevilled by just the sort of shenanigans it seeks to expose.

As for sex, the subject crops up regularly enough, but worthiness seems more in evidence than eroticism. On April 16 comes an episode from the 1976 Thames series "Sex In Our Time" which has never been screened in Britain. Watching in 1991 the scene involving speculum, mirror and torch, where the earnest feminists discuss their hidden cavities, it is hard not to giggle. Yet it must be admitted that nothing superior, or even comparable, is being made today.



Still bowdlerised: W.R.: Mysteries of the Organism

What will not be shown in this season is *Ai No Corrida*, (or *In The Realm Of The Senses*) surely the most explicit and erotic (though at the end horrifying) film released in mainstream cinemas. A Japanese work by Nagisa Oshima, it was given a restricted club release in 1976 and now, having submitted it to the British Board of Film Certification a year ago, the British Film Institute has acquired an 18 certificate for it. London's Screen On The Hill and The Metro will show it in May. Given its theme of sexual passion, it is an example of the material which will not turn up for a long time, if ever, on terrestrial television – even in a season as ambitious and admirable as "Banned".

A Harlem 'Don Giovanni'

The activities of the Mozart year are hotting up. On Easter Monday *Don Giovanni* was shown on BBC2 television in Peter Sellars's celebrated New York re-working (his similar treatments of the other two Da Ponte operas will be broadcast on the next two Sundays); and in the London opera houses there have been revivals of *Giovanni* (ENO) and *Die Zauberflöte* (Royal Opera). As always, comparisons make for agreeable sport; but since all three performances were spotted by different types of weakness, useful conclusions are out of the question.

The Peter Sellars production plants the opera in the late 1980s, and in the most wretched corner of Harlem; Giovanni and Leporello (played, fascinatingly, by the identical twins Eugene and Herbert Perry) are street-corner criminals, into drugs and casual violence. As seen on television, it emerged a fair old disaster – and, for all that, not a total waste of time. It began promisingly: titles daubed as graffiti on rude brick, and then the producer himself, doing a brilliant impersonation of *Mad* magazine's Alfred E. Newman.

The main point of his introduction, however bizarrely put across, was well taken: this is the latest in a long line of serious attempts to get to grips with particular aspects of the most ungraspable of all operas. One sat back to watch, listen and enjoy, anticipatory excitement being further aroused by the showers of praise that had been elicited from those trusty British colleagues who in 1989 travelled to Purchase in upstate New York when the same Sellars "trilogy" was staged at the Pepsico Festival.

Listening proved the first problem. The musical performance was dire: conducting (by Craig Smith) unbearably torpid, orchestral playing lax and lifeless, most of the singers (apart from Lorraine Hunt's uneven but passionately musical Elvira and Dominique Labelle's accurate, mettlesome Anna) well-meaning mediocrities, on this showing at least. The use of words seemed of no importance to anyone; and while there was a certain justice in this – for Sellars's staging contradicts Italian verbal sense in a way that amounts to a production tenet – the flattening effect on singing rhythms, not to mention dramatic vitality, was comprehensive. Textually, this was the oddest experience in Mozartian alienation: Italian words ill-sung by singers and contradicted by their actions while at the same time often inaccurately translated in the pseudo-street-slang subtitles. Why did Sellars simply not re-write the libretto?

More worryingly, one swiftly gained the impression that what might have worked invigoratingly in the theatre – in spite of musical plodding, and as a defence of the extremely loose verbal response – was divested of all atmosphere on the small screen. The whole production, notably the imaginative slum setting of Dunya Ramicova, had obviously drawn heavily on television visual style; in effect, it was here returned to its origins and in the process reduced to a cliché-ridden slice of televisual Harlem hokum. In this light Sellars's dramatic innovations (the coke-sniffing, the heroin-addict Anna et al) shrivelled in importance, while his failures in dealing with Mozartian wit and with crucial issues of class and power bulked ever larger.

And yet, and yet . . . At least the man *tried* to find new ways of expressing and communicating the opera's dark, violent core. The latest Coliseum *Don Giovanni*, in a lacklustre revival of the 1984 Jonathan Miller staging, misses out on that completely. Jerzy Maksimiuk's affectionate, soft-focus conducting plays its part, so too the lack of authority in Peter Coleman-Wright's youthful, strongly sung Giovanni. There are several notable singers in the cast – Jane Eaglen a magnificent Anna, Margaret Marshall (house debut) an Elvira touching in spite of her Schwarzkopfian mannerisms – but it has not been moulded into an ensemble, and so the "traditional" intelligence of the production is dissipated.

The Covent Garden *Flute* has had many cast changes since its February-March series, most (according to report) for the better. Keith Lewis is now the immensely stylish Tamino, Gwynne Howell the gravely eloquent Sarastro, Mikael Melbye the engaging, rather rough-voiced Papageno, Elizabeth Carter (UK debut) the able, not quite top-notch Queen. In her house debut Amanda Roocroft (Pamina) shows hugely improved form: the young English soprano may not yet be an "international" Mozartian, but she's on the way there. Stephen Barlow's conducting, much criticised earlier in the year, is fresh and lively. This sugary-cute production takes the soft *Flute* option, but at least the style is consistent, and makes sense.

Max Loppert

OBITUARY

Martha Graham

With the death of Martha Graham in New York on Monday at the age of 96 there has passed away one of the central figures in twentieth century dance. She gave us those foundations on which most of today's contemporary and post-modern dance stand; as performer, teacher, and choreographer, she provided a lustrous example which inspired the generations who succeeded her.

Born in Allegheny in 1894, Martha Graham made her most significant dance studies as a young woman when she joined the Denishawn School in 1916. The school and its associated company were directed by Ruth St Denis and Ted Shawn, and they lie at the heart of the creation of American Modern Dance, to which Graham herself devoted her life. Graham quit the Denishawn company in 1923, and made brief appearances on Broadway and in music hall in London.

Her vital decision was to open a school in New York in 1927, whence emerged the dance style, the vocabulary of movement, and the pupils, who were to establish her as the pre-eminent figure in contemporary dance in America. It was through her school, and the dance performances that came from it, that there evolved Graham's greatest gift to dance: a codified vocabulary of movement, a style which came from the cross-fertilisation between performance and instruction.

The Graham dance theatre became identified in the 30s with works of uncompromising beauty and austerity. Graham's influence extended beyond choreography and training into stage design and costume: Graham dances exploited dress as few other choreographers had done. Her schooling formed generations of fine dancers. Her creations gave a new image to dance in the theatre. Her "American" works, about the pioneering spirit in *Appalachian Spring*; about Emily Dickinson in *Letter to the World*; her "Greek" works, those studies of such damned, doomed heroines as Medea, Phaedra, Clytemnestra, at the point of death, surveying and resolving the terrors of life; are central to contemporary dance, as are plotless pieces like *Diversion of Angels*.

As a performer Martha Graham was powerful, indomitably individual, commandingly intense. During the latter, non-dancing years of her career she appeared at gala performances, introducing programmes with undiminished vigour and wisdom when speaking of the art she had so long and nobly served. Even in her last years she was still involved in the creation of dance works for her company, providing them with a late harvest of fascinating choreography. It is to Martha Graham that we owe so much of the popularity of contemporary dance. She forged for it a language and a style which, even when rejected by some, served as a starting point for their feelings for dance, as it served as a basis and a treasury for many of the achievements of Modern Dance itself.

Clement Crisp

La Cage aux Folles

STADTHEATER, AACHEN

A dispute with the box office computer banished me to the Gods for the Aachen revival of *La Cage aux Folles*, but it was not just physical distance that made this musical, which first opened on Broadway in 1983, seem so remote eight years later. The Me generation? The cuddly homosexual? High camp high jinks and sly inverted stereotypes? Give us a break. We've tired these images out without moving on far enough to enjoy them as nostalgia.

If a man in stockings and a leather-strapped bra, a male Phaedra with silver wig, leather cat suit and a whip is your scene, come to Aachen. Come also to watch a chorus of men in ballet frocks looking up each others' skirts and singing "Ratatouille" (Ra-ra-ta-ta-two-eee) as they dance the Can-can. Don't come if you found the original 1978 film funny and dramatic and expect the same here.

Am I being harsh because I was disappointed? Why should the musical resemble the screen? As film lovers will recall, *La Cage aux Folles I* tells of a homosexual night-club owner whose son wants to marry the daughter of Mr and Mrs Moral Majority and demands his father put on a show of propriety. This is also the plot of the musical, which shares too the hysterical climax of the meeting of the in-laws. A neat translation and a skilled comic foursome achieve the same effect here: Georges (Andreas Ebert, a lovely John Cleese ditherer) and transvestite lover Albin (Anton Schieffer) shriek and wail and win audience hearts and M. and Mme Dindon (Walter Albert Muller and Dorle Morbitz) are polished off like the pair of turkeys that they are.

The problem is that this scene is encased in three hours of giggling gigolo-cagelles who swamp subtlety and tension in a flurry of leg-waving and dressing up, and that the accompaniment to this desperate excess is some of the most banal music composed.

The most famous song, "I am what I am" is smart but soulless. In others, velvet voices coat melodies like the chocolate on an Easter egg, smooth and monotonous. Oh for diversity, romance, a memorable tune! *La Cage aux Folles* set out to show that gays have a heart like everyone else, but for all the sympathetic portrayals, it seems to lack a heart – vision, dramatic unity – of its own.

Jackie Wullschlager

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.00 Graeme Jenkins conducts Achim Freyer's production of Iphigenie en Aulide, with Ellen Shade in title role. Last performance on Sat (6255 455)

BARCELONA

Gran Teatre del Liceu 21.00 Paolo Olmi conducts Michael Hampe's production of Il barbiere di Siviglia, with Cecilia Bartoli as Rosina. Also Sat (412 1466)

BERLIN

Staatsoper unter den Linden 19.00 Cosi fan tutte. Tomorrow: Spartacus. Fri: Yevgeny Onegin. Sat: Meistersinger. Sun: Pelleas et Melisande (2004 762)
Komische Oper 19.00 Long-running Felsenstein production of Offenbach's Barbe-bleue.

Tomorrow: Romeo and Juliet. Fri: Giustino. Sat: La boheme (2292 555)
Deutsche Oper 19.00 Giuseppi Sinopoli conducts Macbeth, with Mara Zampieri and Renato Bruson. Tomorrow: Otello. Fri: Hollander (3410 249)

COLOGNE

Opernhaus This week's events include L'elisir d'amore tomorrow and Sat, and Harry Kupfer's new production of From the House of the Dead on Fri (221 8400)
Philharmonie Claudio Arrau gives a recital on Sat, and Hiroshi Iawaki conducts the Gurzenich Orchestra on Sun at 11.00 (2801)
Schauspielhaus and Kammerspiele repertory includes Pam Gems' Piaf, Brecht's Jungle of Cities, Goethe's Stella staged by Gunter Kramer and a new Tanz-Forum production on Sun choreographed by Jochen Ulrich (221 8400)

HAMBURG

Staatsoper 19.00 Donald Runnicles conducts Don Carlos, with cast led by Linda Plech, Bruna Baglioni, Giacomo Aragall and Yevgeny Nesterenko, also Sat. Tomorrow and Sun: Zar und Zimmermann. Fri: Yoko Watanabe sings Madama Butterfly (351555)

LONDON

MUSIC
Covent Garden 19.00 Stephen Barlow conducts Everding production of Die Zauberflote, also Fri and Mon. Tomorrow: Il barbiere di Siviglia. Sat: Tarkovsky production of Boris Godunov (240 1066)
Royal Festival Hall 19.30 Anne-Sophie Mutter plays Brahms' Violin Concerto with Academy of St Martin-in-the-Fields. Programme also includes Nicholas Maw's Spring Music. Tomorrow: National Youth Orchestra. Fri: Rattle conducts CBSO. Sat: Kurt Masur conducts London Philharmonic. Sun: Andrew Davis conducts BBCSO (928 8800)
Queen Elizabeth Hall 19.45 Hagen Quartet plays string quartets by Mozart, Beethoven and Verdi. Tomorrow: London Ragtime Orchestra. Fri: gypsy guitarist Bireli Lagrene (928 8800)
THEATRE
This week's shows include Royal Shakespeare Company production of Much Ado About Nothing directed by Bill Alexander (Barbican), The Last Days of Don Juan, Nick Dear's hard-edged comic version of Tirso de Molina's bawdy morality play (The Pit), The Shape of the Table, David Edgar's witty play about the collapse of an eastern bloc government (National) and Don't Dress for Dinner, Marc Camoletti's new comedy about mistaken identity and attempted adultery (Apollo). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MILAN

Teatro Lirico 20.00 Markus Stenz conducts Hans Werner Henze's latest opera Das verratene Meer. Tomorrow, Sat and Sun at La Scala: Adriana Lecouvreur (7200 3744)

MUNICH

Staatsoper 19.30 John Neumeier's production of The Nutcracker. Tomorrow: Sawallisch conducts Mathis der Maler.

Fri: ballets by Bejart, Balanchine and Hans van Manen. Sat: L'Italiana in Algeri. Sun: Il barbiere di Siviglia (221316)

NEW YORK

MUSIC
Avery Fisher Hall 20.00 Emmanuel Krivine conducts Orchestre National de Lyon in music by Rimsky-Korsakov, Berlioz and Ravel, with Bruno Leonardo Gelber soloist in Rakhmaninov's Third Piano Concerto. Sun in Alice Tully Hall: Mitsuko Uchida plays Mozart (874 2424)
Metropolitan Opera 20.00 I Puritani with cast led by Edita Gruberova and Chris Merritt, also Sat. Tomorrow: Tosca (362 6000)
THEATRE
This week's shows include the musical Miss Saigon, Nicholas Hytner's acclaimed London West End production with cast led by Jonathan Pryce and Lea Salonga (Broadway Theater), Henry IV Parts 1 and 2 directed by JoAnne Akalaitis (Public), The Maids, all-male production of Jean Genet's modern classic about two sisters who try to escape their lowly position in life through a deadly game of make-believe (House of Candles) and Candida, G B Shaw's play about a subruban London matron who must choose between her husband and an 18-year old poet (Playhouse 91). Ticketron (246 0102) answers inquiries and sells tickets

PARIS

DANCE
Palais Garnier 19.30 Opera Ballet in Nijinska/Nijinski programme, including L'Apres-Midi d'un Faune with decor and costumes by Leon Bakst and The Rite of Spring in Nijinski's original choreography. Runs until April 13 (4742 5371)
MUSIC
TMP-Chatelet 19.00 Cello recital by Marc Coppey, second in a series of concerts by international prizewinners. Tomorrow: Ekaterina Skanavi, piano. Fri: Vadim Repin, violin (4028 2840)

Salle Pleyel 20.30 Piano recital by Friedrich Gulda (4561 0630). Tomorrow and Fri: Boulez conducts Bartok with Orchestre de Paris and Andras Schiff, piano (4563 0796)

ROTTERDAM

De Doelen 20.15 Piano recital by Ivo Pogorelich. Tomorrow: Academy of Ancient Music. Fri: Okko Kamu conducts Hague Residentie Orchestra in Scandinavian programme. Sat and Sun: Gilbert Varga conducts Rotterdam Philharmonic Orchestra (413 2490)
Schouwburg 20.15 Netherlands Dans Theater in new work by Hans van Manen, plus two ballets by Jiri Kylian (411 8110)

STOCKHOLM

Royal Opera 19.30 Les contes d'Hoffmann sung in Swedish, with cast including MariAnne Haggander and Anita Soldh. Tomorrow and Sat: Carmen. Fri: Dominick Argento's opera The Aspern Papers (248240)

Konserthuset Tomorrow and Sat: David Zinman conducts Stockholm Philharmonic Orchestra in a programme of Debussy, Richard Strauss and Berio, with Jard van Nes soloist in Berg's Altenberglieder (244130)

VIENNA

Musikverein 19.30 Serge Baudo conducts Gustav Mahler Jugend Orchester in Berlioz's Symphonie Fantastique and Mahler's Kindertotenlieder, with Robert Holl. Tomorrow, Fri, Sat and Sun: Charles Dutoit conducts Vienna Symphony Orchestra (505 8190)

Konzerthaus Mozart-Saal 19.30 Song recital by Marjana Lipovsek. Tomorrow: piano recital by Barbara Moser. Fri: Hagen Quartet (7124 6860)
Konzerthaus Schubert-Saal 19.30 Stefan Sanderling conducts Vienna Chamber Orchestra in music by Mozart and Georg Friedrich Haas (7124 6860)

WASHINGTON

Kennedy Center Concert Hall 20.30 Mitsuko Uchida plays Mozart. Thurs, Fri and Sat: Lorin Maazel conducts Vieuxtemps, Chausson, Sibelius and Beethoven (467 4600)
Kennedy Center Opera House 20.00 Dance Theatre of Harlem. Runs until Sun (467 1600)

ZURICH

Opernhaus 19.30 Four ballets by Uwe Scholz, music by Stravinsky and Carlos Chavez. Tomorrow and Sun: Yevgeny Onegin. Fri: La Sylphide. Sat: Elektra (251 0909)

Schauspielhaus This week's repertory includes Durrenmatt's The Meteor, Franz and Paul von Schonthan's farce The Rape of the Sabine Women and Moliere's The Miser (251 1111)

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Soviet prices and progress

TWO THINGS happened in the Soviet Union yesterday whose relationship to each other could produce either a benign or malign effect on that dizzy beast, the Soviet economy. The first was the rise in prices, which hit the shops and the Soviet consumer the day after April Fools' Day. The second was the opening of talks between the government and representatives of the miners.

Prices have not been freed: they have gone up in three different and controlled ways. Over half, including many basic foods, have been increased by fiat and often by large amounts to new fixed rates. About a third will be free to the extent that the wholesaler can work out a price with the retailer, but the retailer cannot then sell to the consumer for more than a 20 per cent markup, with inspectors watching out for "speculation". The remainder will be regulated, or allowed to rise up to a ceiling.

The sweetener is that everyone gets at least 60 roubles a month compensation, while pensioners get Rs65. This means that the working population, whose wages average around Rs280 a month, will be looking for extra compensation through wage rises.

Here is the crucial issue: as the IMF said in its report on the Soviet economy in December, the risk is that "the initial spurt of prices inevitably associated with price liberalisation will give rise to wage demands that would contribute to a wage-price spiral". There is no overall wage ceiling in the USSR, and as the enterprises begin to reap higher profits in the weeks and months ahead, the demand from their workers to pay out more in wages will become intense.

Little resistance

The experience of the past few years has shown that this pressure usually meets little resistance. As in all socialist states from which an iron hand has been lifted but no market reform carried through, the employers are the softest of touches.

It has fallen upon the miners to be the vanguard of these pressures. Though their political demands – for the resignation of the president and the Supreme Soviet – have received most comment, their wage demands are also ambitious: they want increases of between 100 and 150 per cent in wages that already average between Rs400 and Rs450 a month.

They are a powerful and traditionally privileged group, though their working conditions are awful. Already, a partial strike is closing down steel plants, endangering electricity supplies and sparking off sympathy strikes in a number of industrial areas. Every bad short-term political reason points to a government cave-in – although Mr Valentin Pavlov, the Soviet prime minister, is said to be prepared to argue that, since the mines are now being devolved from the central Coal Ministry to the republics, it is not to Moscow that the miners should address their case.

Populist leaders

The republics, like the centre, have impossibly stretched budgets – but in the case of the governments of the main mining areas, Russia and the Ukraine, they also have populist leaders who will not want to do the unpopular thing. In other words, the cave-in will occur at a lower level.

Beating inflation in the Soviet Union, as anywhere, ultimately depends on political will and there are some signs that Mr Pavlov's government, which can have no illusions about its popularity, does intend to show some. For example, the chairman of the Central State Bank has said he believes further price reform, amounting to virtual liberalisation, may be pulled forward to late this year.

These signs are so far more than counterbalanced by a search for economic order through the command system, and a reliance upon the old economic and political structures. The market is seen as something which can be shaped, controlled and – if thought to be performing anti-socially – punished. The Soviet miners' strike of 1989 resulted in the printing of more money to buy them off. The miners' strike of 1991 could have the same result. If it does, the floodgates to hyper-inflation open and the price reform itself is a further step on the road to chaos.

The closing of stable doors

QUITE SUDDENLY, the great and good of the financial world are talking of closing the stable doors of mortgage lending. That a large and healthy horse did, indeed, escape a few years ago is unquestionable. But the horse left inside is a sickly beast. The question is whether it is going to get up at all.

Nonetheless, no less a person than Mr Robin Leigh Pemberton, the governor of the Bank of England and a former chairman of National Westminster Bank, has expressed his concern before the House of Commons treasury and civil service committee. In doing so, he echoed the thoughts of Lord Alexander, a successor at National Westminster Bank.

"I am attracted," opined the governor, "by the idea of some sort of restriction on levels of lending in individual mortgages." But "the difficulty about making rules of this nature", he continued, "is that they are difficult to enforce, they create distortions and they may fall very heavily, for instance, on first time buyers". Nonetheless, "I would not be averse to physical controls of the sort suggested if we got the impression that interest rates and exhortations were not adequate."

A cynic might feel that the concern is not merely ill-timed, but reflects the love of the banking establishment for an honest cartel. This would be unfair. There is an issue, one made more pressing by sterling's entry into the exchange rate mechanism of the European Monetary System.

ERM bands

In a recent piece on credit and debt for the left-leaning Institute for Public Policy Research, Mr Will Hutton remarks that "the events of the last five years give the lie to the story that . . . credit demand can be managed by moving interest rates to produce the appropriate quantity adjustment". Events of the past five years show, to the contrary, that interest rates can, indeed, determine the rate of growth of lending, provided the authorities are able or willing to use them.

The economic problem is that it may be difficult to set interest rates at the desired level when the signal from the exchange rate conflicts, particularly now that sterling is in the ERM. The solution is to stay within the wider ERM bands for as long as inflationary expectations in the UK diverge from those in its main EC partners. Since the move to full economic and monetary union is now unlikely to occur before 1997, even a British government that is determined to participate in Emu should have plenty of time to achieve convergence before moving into the narrower bands.

Desired convergence

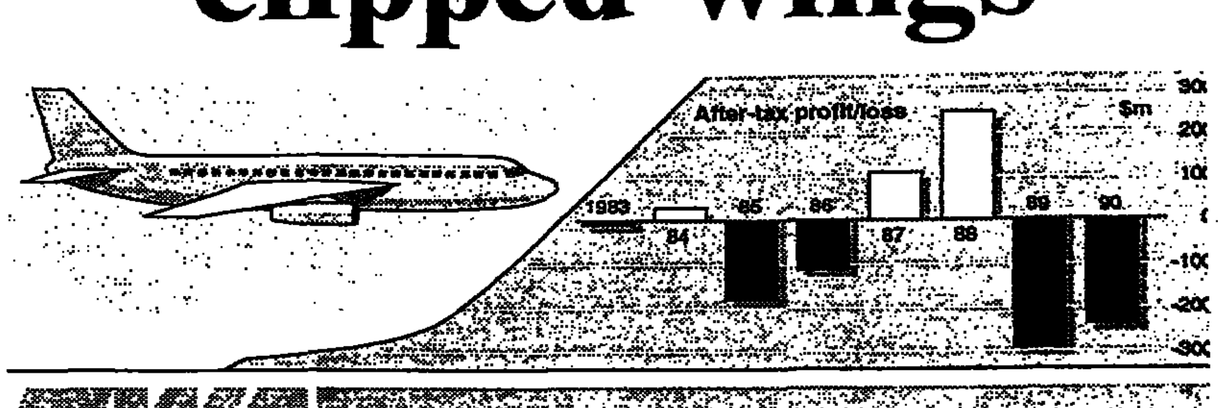
The desired convergence will be achieved when the long term rate of interest has become no higher than in other major member states. Maintaining the relatively high short term interest rates allowed by the wider bands would be a way of accelerating that convergence. That the interest rate gap *vis à vis* German long bonds is at present only a little more than 1½ percentage points shows that the markets appreciate this point.

Many argue that convergence of inflationary expectations would not be enough. They suggest that the structure of the British financial markets leaves the economy inordinately subject to credit cycles. It is to these voices that Mr Leigh Pemberton is lending half an ear. He is doing so, quite particularly, when he finds the main problem in the housing market. But the extraordinarily rapid growth of lending in the second half of the 1980s was not exclusively related to housing. Correspondingly, controls, even if needed, should not be limited to that sector.

The lending horse is, in any case, not going anywhere very fast in the near future. If it should become livelier than at present, the best curb would be the use of interest rates. Controls should only be contemplated if membership of the ERM were to preclude the interest rates needed to achieve control over the growth of domestic credit. Now is a good time to consider all the alternatives, including fiscal reforms, at leisure. It is not the time to close the stable door in panic.

The future of TWA hangs in the balance this week. **Nikki Tait** examines the airline's problems and the role of its owner Carl Icahn

US carrier with clipped wings



TWA

Aircraft type	Owned	Leased	Total	Average age
Douglas DC-9-10	0	7	7	23.0 Yrs.
Douglas DC-9-30	2	36	38	19.3
Douglas DC-9-40	0	3	3	15.2
Douglas MD-80	4	29	33	4.6
Boeing 727-100	13	0	13	25.1
Boeing 727-200	34	22	56	17.1
Boeing 747	12	7	19	18.8
Boeing 767	10	1	11	6.6
Lockheed 1011	10	23	33	14.6
Total (at end 1989)	85	128	213	

On order are 20 Airbus A330 Rolls-Royce engined aircraft due for first delivery in 1994, with options for a further 20


Carl Icahn, chairman

It is 8.15 on Saturday morning at New York's La Guardia airport and the Trans World Airlines check-in area is bedlam. Half a dozen staff are dealing with several hundred customers. Would-be fliers, waiting in two endless lines, complain that they will miss their flights.

Even for passengers with pre-arranged boarding passes, chaos persists: despite a half-empty aircraft, seats prove to be double-booked. And when that hiccup is resolved, "maintenance work" delays flight 177 to St Louis by almost an hour.

Such experiences explain why travellers are wary of TWA. Once a national institution, the carrier topped the US league for customer complaints last year. In December, only 59 per cent of TWA's flights arrived on time.

This is symptomatic of much deeper problems. On Monday the airline reported a $478.6m loss for 1990; its fate will be decided this week when the US Department of Transportation is expected to rule on whether it can proceed with the proposed sale of its Heathrow routes to American Airlines. Further complicating the outlook is the possibility that a bidder might emerge to rescue the ailing carrier, though no one has yet put a formal offer on the table. The airline says it is fighting for its life. "If you're talking about 1991," Mr Mark Buckstein, a TWA director and the company's legal counsel, has commented, "the aim is survival."

There are many casualties of the US airline wars. What makes TWA's tale exceptional is the way the airline got itself into this mess, and what that story reveals about the corporate raids of the 1980s.

At the end of 1986, TWA was acquired by Mr Carl Icahn, a Brooklyn-born trader who had amassed millions through share-dealing and "greenmail". He had never before made such a significant acquisition. TWA's trade unions had decided, however, that he was the least bad choice on offer. They promised wage cuts, and this encouraged him to negotiate management control, based on his 47 per cent block of shares.

At first, the deal was touted as an example of how bids could benefit ailing businesses. TWA had made losses for most of the 1980s, and in 1985 the operating deficit totalled $62m. By 1987, under Mr Icahn's stewardship, this had been transformed into an operating profit of $240m, rising in 1988 to almost $260m.

But how much did the Icahn team contribute to that recovery? TWA itself valued the unions' concessions at $250m a year, an enormous boost to the bottom line. And when the more recalcitrant flight attendants' union went on strike in 1986, the company quickly recruited younger and cheaper replacements.

Mr Icahn had negotiated those wage concessions. Although the employees' desire to fend off a rival bidder and known union-buster, Mr Frank Lorenzo, of Texas Air, played a big role in securing the cuts, Mr Icahn deserves credit for seizing the opportunity.

The sharp drop in aviation fuel prices in the late 1980s was, however, outside Mr Icahn's control. In 1987 and 1988, TWA was paying about 55 cents a gallon for fuel, compared with 82 cents in 1985. The annual fuel bill in each of these years was nearly $200m less than in 1985.

Subtle accounting changes were also enhancing stated profits. For example, the service lives of TWA's wide-body aircraft were extended in 1988, knocking $41.6m off that year's depreciation charge. Altered actuarial assumptions trimmed pension costs.

Moreover, at the after-tax level, the company enjoyed several extraordinary gains, including $50m from a lawsuit started in 1962. "How lucky can you get?" says Ms Vicki Frankovich, the flight attendants' leader.

On balance, then, the improvement in TWA's profitability owes something to Mr Icahn – but just as much to the economic and labour climate, to accounting changes, and to events set in motion long before his arrival.

However, the real secret of Mr Icahn's impact on the airline can be found not in the profit and loss statement, but in its balance sheet, which today shows the wear-and-tear of five years' deal-making.

Even critics acknowledge that Mr Icahn started his string of transactions well. In September 1986, he snapped up Ozark Airlines, the loss-making competitor at TWA's St Louis hub, for $237m. Ozark owned about 50 aircraft, mainly small. Thirty-five DC-9s were sold for $217m and leased back. Some of the company's pension plans were terminated, raising another $35m. The cost of the acquisition was immediately recouped.

Unfortunately, using assets to raise cash was to become a familiar feature at TWA, but with less obvious operational benefits. Some examples give give the flavour:

- 1986: $312.7m raised by a sale of securities backed by 42 aircraft and spare engines, partly to finance Ozark.
- 1986: 50 per cent of PARS, a computerised reservation system, sold to Northwest Airlines for $140m. In 1990, Delta bought in, and TWA got another $48m.
- 1987: 2,600 separate pieces of machinery sold and leased back, raising $44m.
- 1989: $300m of securities issued, secured on take-off and landing slots and spare parts.
- 1989: plan announced to sell TWA's Chicago-London route authority plus gates and a hanger at O'Hare airport for $195m – completed a year later.
- Early 1990: sale and leaseback of 10 aircraft, raising $370m.

While cash-raising activities were being pursued, TWA's capital expenditure was being pruned. In the three years before Mr Icahn took over, TWA had been spending an average of $200m a year. Between 1986 and 1988, the figure fell to about $75m, and only just topped $100m in 1989. Nine months into 1990, it was $71m, under half the amount spent by Continental, another leading US carrier.

The average age of the company's fleet rose to more than 16 years, another industry record. Amid enormous publicity TWA placed a $3.6bn order for 40 (Rolls-Royce-powered) Airbus aircraft in 1989 – but the airline's down-payment was only $23m. The aircraft are not due for delivery until late 1994 or 1995, and further payments only fall due three years ahead of that date.

TWA has not indicated where it will find the money. But if the company's latest reports are correct, it does not have much to hand; at the end of January, TWA put its liquid resources at $330m.

So what happened to all the money generated in these profitable years? The answer is complex, but a sizeable part of it lies in two stock market deals.

When world stock markets crashed in October 1987, Mr Icahn – using, in part, TWA's resources – bought a stake in Texaco, the oil giant, from the Australian tycoon Mr Robert Holmes à Court. This was subsequently split between different companies controlled by Mr Icahn, and further shares were added.

In total, Texaco stock acquired by TWA cost almost $1bn. Some shares were sold on relatively quickly, but for much of 1988, the airline had at least half that amount tied up in the investment. Separately, another $168m of TWA's money was invested in three of Mr Icahn's partnerships, which owned 11 per cent of USX, the oil and steel combine.

It would be wrong to suggest that TWA suffered directly from these holdings. Transfers from the airline to other Icahn-controlled companies were always at market price, and TWA generally made money on the deals. In the Texaco case, for example, TWA's last remaining 15m shares went to another of Mr Icahn's companies at $45¼ each, netting the airline $140m. Three months later, Mr Icahn struck a deal with Texaco and the shares were trading at $55. Nevertheless, these are large sums for an airline, operating in a cyclical industry and with pressing fleet renewal needs, to have tied up in unrelated activities.

The most striking of Mr Icahn's deals came in 1988, when he took the company "private", losing its stock market listing. His stake in the airline had by this time risen to 73 per cent. A newly-formed company made an offer worth $20 a share in cash plus $30 in debt securities for TWA.

Mr Icahn got the same cash terms for his 73 per cent. Rather than take the new debentures, however, he received stock in the new company which gave him control of 90 per cent of its equity. To help finance the cash portion of the offer, Drexel Burnham Lambert, the now defunct US investment bank, had arranged the placing of $800m-worth of bonds.

As a result of this transaction, Mr Icahn received $469m in cash – and still owned more of the airline than before. Comparing this with his original investment in TWA shares is tricky: the TWA pilots, for example, estimate his purchase costs at $365m, while Mr Icahn has suggested $440m. What is indisputable is that the airline's owner had got his money back *and* seen his control enhanced.

TWA's leap in indebtedness, by contrast, was never rectified. By September 1 1990, net borrowings (including lease obligations) totalled $2.5bn. Interest payments have taken an increasing toll on profitability.

This burden, coupled with sliding airline profitability and the impact of the Gulf war, have pushed the company heavily into the red. In 1989, there was a net loss of almost $300m. In 1990, the figure appeared to improve slightly to $237.5m, but that included $205m of asset sale gains, compared with only $20.8m in 1989.

The question is: where now for TWA? Mr Icahn's takeover tilt at Pan Am was never taken very seriously, but his plan to sell the Heathrow routes for $445m is unquestionably in earnest.

This scheme now has clearance from UK authorities, and a ruling is awaited from the US Department of Transportation. Its tentative suggestion was that the sale of the three main routes – between Los Angeles, Boston and New York – should go ahead. Two other routes (to Baltimore and Philadelphia) should go up for auction, and TWA should retain the route authority into its St Louis hub.

A potential bidder has also appeared in the shape of Mr Kirk Kerkorian, the septuagenarian West Coast investor who raised about $1bn last year when he sold a majority equity stake in MGM/United Artists to Pathe Communications. The unions have offered him certain labour cost savings if he buys the airline, but any interest from the Kerkorian camp is predicated on the retention of the London routes.

For his part, Mr Icahn has been scathing about the seriousness of any potential bid, and pleaded the urgency of his carrier's cash needs. More bluntly, American Airlines has threatened legal action if its deal with TWA falls through.

What is undeniable is that the DoT decision is critical to the carrier's future. London traffic accounts for more than a third of TWA's international business, the most profitable part of the company. TWA's domestic system has been loss-making recently, and is at least partly designed to feed the international routes.

Approval of the London route sale could result in a steady dismantling of the airline, pessimists argue. There is, however, a strong feeling in New York's financial community that Mr Icahn will go to great lengths to avoid Chapter 11 bankruptcy, the route taken by other ailing airlines. "I imagine that's the last thing he wants," says a leading lawyer whose firm acts for an important TWA creditor.

The unions concur. Mr Kent Scott, who heads the TWA pilots, sums up their view of Mr Icahn: "He's not interested in having anyone else control his life."

Mr Icahn has probably acquired as much control over an international airline as any man since Howard Hughes, a former owner of TWA. He has done so by seizing the moment, through shrewd deals, and by exploiting an extraordinary period in the US capital markets. The days of overflowing credit have ended, for the moment, and Mr Icahn is now running an airline crippled by a capital weakness he himself encouraged. On the evidence of that morning at La Guardia, the public does not seem to think he runs it very well.

OBSERVER

How Czechs were released

■ The more one learns about the East European revolutions of 1989, the more they seem like orchestrated events instead of spontaneous popular uprisings. What's more, Moscow seems to have helped at least one along.

Fresh support for this conspiracy theory comes from a Czechoslovak Parliamentary Commission report on the demonstrations of November 17 1989. Prepared by Jiri Ruml, a Civic Forum activist, the report notes that the previous day leading Prague apparatchik Jan Fojtik was suddenly summoned to Moscow. Whatever message he sent home seems to have prompted the local Communist Party leadership to take cover.

Milos Jakes, the hardline party chief, went to his dacha on Lake Orlik. Prime Minister Adamec was in bed with flu. The handling of the demonstrations was left to a task force being monitored by Soviet General Tislenko.

More evidence that Moscow did not want effective action taken against the demonstrators has emerged from Dr Blahos, director of the Czechoslovak Academy of Sciences' institute of state and law. He says Georgy Shakhnazarov, one of President Gorbachev's key political advisers, told him on the morning of 17 November that protests would take place in Prague, and it would be "unwise and unfortunate to take any drastic action against these demonstrators."

A further claim is that, to stir the placid Czechs to anger, secret police agents led a group of protesters into an ambush. One of the disguised agents was reported killed, and although he re-emerged a few days later in the best of health, the news was enough to get Czech adrenalin flowing.

With no serious police action being mounted against the demonstrators, the Communist leadership crumbled. So, it appears, the Czech problem was solved before it could hamper the first post-Cold War summit between Presidents Gorbachev and Bush in Malta, less than three weeks later.

No show

■ Hopes that the status of the National Economic Development Council – the forum where government, industry and unions are supposed to talk to each other – would be raised under John Major's regime, seem optimistic. This morning's quarterly meeting has been suddenly postponed with no new date being fixed.

The problem seems to be that Peter Lilley, the Industry Secretary whose turn it was to be in the chair, is on holiday, and some other heavy hitters, such as the Governor of the Bank of England, were not able to make it.

But as these events are supposedly planned months ahead, it may be that the council is no more popular with Major than it was with Mrs Thatcher.

Treasure trove

■ The big auction houses hate the BBC's *Antiques Roadshow* – it spreads the delusion that in every attic there's a Gainsborough gathering dust.

But it is nice to know that there are still some undiscovered treasures out there. A browser in a flea market in Adamstown, Pennsylvania, bought a dreary picture for $4 because he liked the frame. Dismantling his purchase he came across a document folded in the backing.

It was a crisp, clean, copy of the American Declaration of Independence which it took only one glance from Sotheby's book expert, David Redden, to convince him it was a previously unrecorded broadside of the first printing of the 1776 Declaration, of which only 24 examples have surfaced.

Sotheby's expect bids of at least $1m when it sells the document on June 4th. Another copy was sold for almost $1.6m last year.

"I'm too overworked to boycott the test."

Back to work

■ Who said Scotland's shipbuilders were dead? Ross Belch's return to the Clyde, where he spent over 40 years building ships, may be pretty small stuff when compared with Clydebank's glorious past. But at least it shows that the Scots have not completely lost the will to build merchant ships on their own ground.

With famous yards like Govan now in the hands of Norwegians, and Scott Lithgow being kept on a care and maintenance basis by Trafalgar House, the locally owned industry is pretty moribund these days.

But things are changing. The 70-year-old Ross Belch – who in his heyday as Scott Lithgow's managing director controlled six yards with 9,000 employees – has resurfaced as chairman of Ferguson Marine. Along with his partners in a business expansion scheme, he has bought Ferguson shipbuilders of Port Glasgow. Its current speciality is small ferries for Caledonian MacBrayne.

Bill Scott, another industry veteran, is chief executive and Sir Ian Denholm, a former deputy chairman of P & O, is on the board. Denholm is a grandson of one of the founding Ferguson brothers.

The 130 staff employed by Ferguson may not sound a lot, but it is nearly three times Scott Lithgow's current workforce and could rise to 500 if the initiative goes well. While hoping that it does, however, I can't help wondering why the revival of shipbuilding in Scotland is being attempted by nostalgic old-timers rather than fresh-faced Tartan entrepreneurs.

Ashcroft's move

■ One of many tantalising questions in the unfolding struggle between ADT and its biggest shareholder is if the elusive Michael Ashcroft will have the stomach to attend next Wednesday's Laidlaw board meeting in Toronto.

Ashcroft, ADT's colourful chief executive, became a director of the the Canadian conglomerate after Laidlaw bought its 28 per cent stake in ADT in 1989. Only last December he attended Laidlaw's annual meeting. But his position on its board is now, to say the least, uncomfortable.

Laidlaw chairman Donald Jackson says he doesn't know what Ashcroft intends to do. But there's little doubt that he hopes the ADT chairman will do the honourable thing.

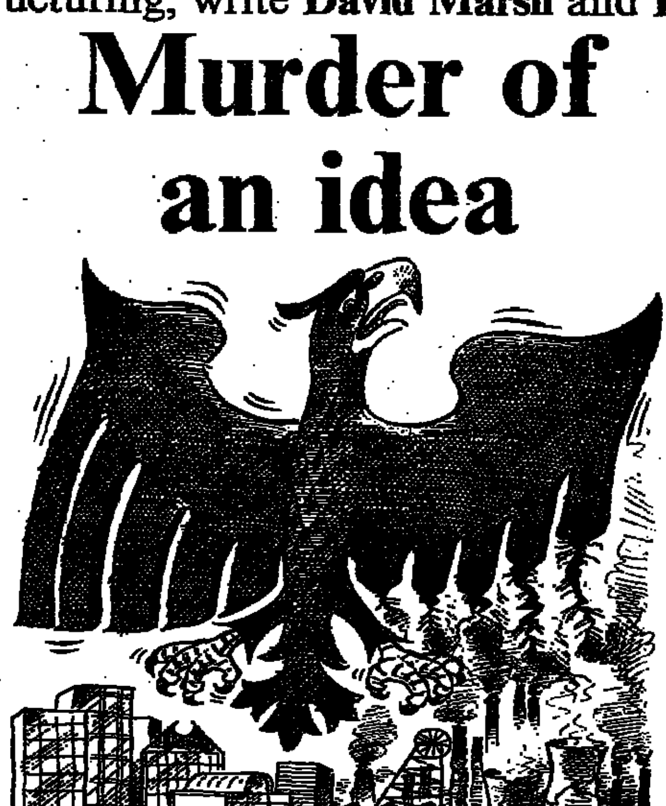
Insulated

■ How do Oxford graduates screw in a lightbulb?

Hold it against the socket, and let the world revolve around them.

The killing of Germany's Treuhand boss poses a threat to economic restructuring, write **David Marsh** and **David Goodhart**

Murder of an idea



Mr Detlev Rohwedder, who headed the German Treuhand holding company supervising east Germany's state-owned industry, was well used to his *agency's role as scapegoat* for the difficult economic aftermath of unification. On the night of Easter Monday, it cost him his life.

The terrorists who gunned down Mr Rohwedder in his luxury Düsseldorf home did not *just kill one of the country's* leading industrialists; they also snuffed out an idea.

In recent weeks, amid *mounting protests about unem*ployment in east Germany, Bonn politicians had stopped pretending that integrating Germany could be left to the arrival of the D-Mark and the healing forces of the market. Now, Mr Rohwedder's death has finally destroyed the notion that reforging the two unequal parts of the nation could be accomplished without drastic upheaval.

As Germany's political and industrial establishment yesterday expressed horror and dismay at yet another terrorist attack on a leading figure, the country was grappling with an unmistakable sense of crisis.

Mr Rohwedder was singled out because of the Treuhand's poor image in east Germany as the bringer of capitalism. Mr Rohwedder – born in Gotha, in east Germany – was indeed a tough-minded businessman. But he lately had been stressing the need to soften the social consequences of closing *uncompetitive plants.*

The Treuhand was bound to become the culprit for east Germany's troubled start in the free-market world – partly because it owned a ramshackle empire of state assets built up in 40 years of communism. Overburdened with challenges and short of qualified staff, the Treuhand had to try to privatise as swiftly as possible, without selling at knock-down prices. Further, it had to divide up state assets between the different levels of the public sector, distribute liquidity cash, help restructure companies not immediately fit for disbursal, and avoid creating too many pan-German monopolies.

Mr Rohwedder could be philosophical about this profusion of expectations. He told the Financial Times in January: "It is phenomenal *what a bad* reputation we have, but perhaps it is part of our task to be the scapegoat."

Mr Manfred Stolpe, the Social Democrat prime minister of the east German state of Brandenburg, warned yesterday that the killing was a clear attempt to sow unrest in east Germany. *Mr Stolpe* said Mr Rohwedder was chosen "cold-bloodedly" because of the criticism levelled at his agency – *some from west German politi*cians. Mr Stolpe said that the murder represented a "last warning" for the Germans. "We must now stop throwing the blame on to each other and making the Treuhand the bogeyman."

Mr Rohwedder was one of the few available German managers with the calibre and determination to bring a market-oriented approach to the Treuhand. Now Bonn faces demands from all sides to adopt a much more interventionist line over shoring up east German industry. This may assuage some short-term pain – but could increase the longer-term costs for the German economy, which in the past few weeks have started seriously to undermine the D-Mark on the foreign exchange markets.

Risks of another sort – those facing prominent Germans – were underlined by the visit to the scene of the crime yesterday morning of the man in charge of the investigation, Mr Wolfgang Schäuble, the interior minister. He went through the door in a wheelchair. Mr Schäuble, one of the most able members of the government, is now lamed – probably for life – after narrowly *avoiding death when he* was shot by a mentally disturbed man last October.

At the funeral 17 months ago of Mr Alfred Herrhausen, the Deutsche Bank chief assassinated by Red Army Faction terrorists, Chancellor Helmut Kohl recalled the long list of German public figures assailed by terrorists in the past 20 years. "What is wrong with the Germans in the federal republic?" he asked.

Questions over the security of prominent Germans will now be put with renewed vigour. One factor making Mr Rohwedder's murder all the more chilling is the possibility that, directly or indirectly, members of the former *East* German security service (Stasi) may have been involved. The German authorities in the week *before Easter arrested six* former high-ranking Stasi officers on suspicion of having helped train Red Army Faction guerrillas in terrorist techniques in the years before unification.

Mr Christian Lochte, head of the Hamburg arm of the German counter-intelligence agency, the Bundesamt für Verfassungsschutz, said yesterday that the style of the shooting indicated "it could be a Stasi affair".

Still active networks of former Stasi and Communist party functionaries have already been blamed by the government for holding up introduction of market practices in east Germany. Bonn is checking whether sections of the Stasi could still be functioning as an underground *movement to destabilise* the reunification process.

The danger that rising unemployment could discredit *the new capitalist system* before the vestiges of communism have disappeared is one that will preoccupy the government as it searches for a Treuhand successor. This year the agency expects to raise DM14bn (£4.7bn) from privatisation to add to the DM4bn from last year. But it will almost certainly have to break the finance ministry's current credit limit of DM25bn for 1991, *and to agree to write off most* east German corporate debt, if it is to give the higher priority to restructuring now demanded by Bonn.

"If the government decides that for structural reasons an industry must be survive, that is for them, not us," Mr Rohwedder said in January. Although still nominally under the finance ministry's control, which likes to give priority to *tight budgets and cost savings*, the Treuhand is becoming increasingly influenced by the more energetic restructuring policies of Mr Jürgen Möllemann, the economics minister.

With a staff heading towards 3,000, compared with 1,000 last autumn, the Treuhand looks set to become a quasi-ministry with responsibility for industrial policy in east Germany.

Mr Rohwedder, a Social Democrat, was by no means opposed in principle to this more interventionist stance. But he was beginning to signal his doubts about parts of this new strategy. If he had lived, he would probably have faced bitter rows with his political masters later this year. *He* said at a seminar last month, that just because a few thousand people take to the streets, "that does *not mean that the laws of* economics can be suspended". Depending on the diverse pressures on the Bonn government, *the next few months will show* whether his prediction was correct.

Edward Mortimer

The world fails Kurds again

The west should have ensured that the civil war in Iraq was fought on more equal terms

FOREIGN AFFAIRS

Once again the Kurds have been left to their fate. It is such a familiar pattern that they cannot really be surprised. But they might have thought that things had changed with the Iraqi invasion of Kuwait last August. Their capacity to tie down substantial Iraqi forces by guerrilla activities in the mountains had been proved and *their desire for Saddam Hus*sein's downfall could not be doubted. Surely they were natural allies for the anti-Saddam coalition.

They were not treated as such. Indeed, the US administration until last week was firmly refusing to have any contact with their leaders or representatives. On February 15, however, President Bush did publicly urge the Iraqi people *"to force Saddam, the dicta*tor, to step aside". Obviously what he had in mind was not a popular uprising but a military coup followed by an order to Iraqi forces to withdraw from Kuwait, thus averting the necessity for a ground war.

That did not happen. The ground war went ahead with lightning speed, and on February 28 Mr Bush called a halt. Allied commanders had claimed the Iraqi army was, to all intents and purposes, destroyed. Within days virtually the whole of Iraq was in a *state of insurrection, where*upon the Kurds joined in. Clearly they did not do so on the basis of any specific promise of allied support. They must simply have thought that this was the best chance ever of getting rid of Saddam, and that their children would not forgive them if they let it pass.

In addition, they were encouraged by an apparent change of heart in the Turkish capital, where two of their leaders were told by foreign ministry officials that President Turgut Ozal favoured any democratic solution of the Kurdish problem within Iraq, provided that it did not lead to an independent Kurdish state. *This was no problem, since all* the Kurdish parties in Iraq accept that the territorial integrity of the country should *be maintained, and in recent* months they have been co-operating closely with Arab-based opposition movements. What they were not prepared for were the following American attitudes:

- Public statements of cold neutrality or refusal to interfere in Iraq's "internal affairs";
- *Disclosure of* Pentagon intelligence assessments, predicting the regime's victory over the rebels;
- *Repeated unattributable* briefings to the effect that the US hoped the armed forces would crush the insurrection *before* overthrowing Saddam;
- Continued refusal to meet Iraqi opposition spokesmen, followed by a public claim that no request for such a meeting had been received.

Things seemed to be changing when Mr Bush publicly denounced Iraq's use of heli*copter gunships against the* rebels, and especially when the US shot down two fixed-wing aircraft. But then last Tuesday the White House announced that US forces would *not* attack *helicopters unless they posed* an immediate threat to allied forces. It is hard to see what effect could have been expected from this announcement other than to remove any restraint on the use of helicopters against the insurgents, and thus to strike a body blow against their morale.

Although large parts of the Iraqi army had disintegrated or even gone over to the rebels with their weapons, it is clear that the most disciplined and heavily armed units remained on the government side.

Also, they had plentiful supplies of food and fuel, both of which – as well as medical equipment – the insurgents acutely *lacked. The UN* decision to lift sanctions on food deliveries was certainly justified on humanitarian grounds, *but was applied only to the* government-held areas.

With all this going on, and with overwhelmingly superior allied forces still occupying part of the country, it was appalling to hear a White House spokesman say last Friday: "It is for those Iraqi people to make a decision as to *their political future,"* as if some kind of peaceful election or referendum were being held.

It was appalling to hear the White House say: 'It is for those Iraqi people to make a decision as to their political future,' as if some kind of peaceful election or referendum were being held

When one puts these points *to US representatives*, they say: "OK, but what would you have us do? Everyone has warned us to stay within the terms of the UN mandate, which confined our war aims to the deliverance of Kuwait, and not to occupy Baghdad or impose a government of our choosing on Iraq." That is true and I am the last person who can deny it – having spelt out at some length the dangers of *trying to remove Saddam Hus*sein by direct military action in this column on February 5.

What I cannot accept is the suggestion that an allied march on Baghdad was the *only alternative to the policy* in fact adopted. There are so many things that could and should have been done short of that to ensure that the civil war was fought on more equal terms, with at least a chance for the Iraqi people to throw off their oppressors. Here are some suggestions, starting with what is, and was, politically the easiest:

- The US president and British prime minister could emulate their Turkish colleague by stating their preference for a democratic solution for Iraq; and Mr Bush should publicly disavow statements by his subordinates suggesting that they regarded a government victory as necessary or preferable to victory for the insurgents. The least that Britain and the US could do is to support the *French call for an emergency* UN Security Council session.
- They should endorse the programme on which all Iraqi opposition groups are agreed, namely respect for human rights, free elections and autonomy with a full share in central government for the Kurds, making it clear that in their eyes the territorial integrity of Iraq must be maintained through the free consent of its peoples.
- They could have made sure that food, fuel and medical supplies reached the areas held by the rebels, *directly through* allied lines in the south, and through Turkey, Syria and Iran in the north. Even now *they could make an effort to* supply the Kurds who have fled to the mountains.
- They could have, and should even now, give clear warning that from now on both fixed-wing aircraft and helicopters taking part in operations against the rebels will automatically be shot down, and that any use of chemical weapons will lead to a resumption of allied air attacks on pro-government units.
- They should make it clear that they hold Saddam Hussein and other named individuals personally, rather than the Iraqi people collectively, responsible for atrocities and violations of international law committed in Kuwait and elsewhere, and that therefore their attitude both to the lifting of economic sanctions and to aid for the reconstruction of Iraq, *will depend on whether those* individuals remain in office or are brought to account.
- They should state that *allied forces will not withdraw* from Iraq until there is a stable government enjoying the confidence of neighbouring countries.
- They could have supplied weapons to the insurgents, to enable them to defend themselves and their people against weapons previously supplied to the government from outside sources.

All these options have been rejected, apparently because the priority was to "prevent the disintegration of Iraq". The repeated statements of opposition leaders that this coup is their objective have been simply brushed aside, while the methods used by Saddam Hussein "to hold the country together" have been given an implicit endorsement. If this is the "new world order" that we *fought the Gulf war to estab*lish, it is hardly an improvement on the old one.

LETTERS

Prudential's actions cause consternation

From Mr J. G. R. Roberts.

Sir, As an innocent in the arcane world of insurance companies, I am mystified by the recent *action of Prudential* Corporation in increasing its dividend to shareholders while cutting annual bonuses to life and pensions policy-holders.

The profits from which dividends are paid appear to emanate from general underwriting activities, other activities such as estate agency, investment returns in the general fund and a share of life profits. In 1990, the first two of these areas were an unmitigated disaster, while the latter two cannot have been too impressive given the decision to cut annual bonuses.

Would it be too naive to suspect that shareholders might make more noise if the dividend were not increased, than the policy-holders will make because they can do nothing about it. The fact that the terminal bonuses have been increased to maintain the payments on maturing policies is beside the point since terminal bonuses in future carry no guarantee.

I am glad I am not a Prudential policy-holder.

J. G. R. Roberts,
Bentley Capital (Europe),
37 Catherine Place, SW1

State pensions wrapped in a cloud of confusion

From Mr Charles A Evers.

Sir, Your leader "Sex and the over 60s" (March 28) admirably sums up the impossible confu*sion caused by the Barber* judgment and by the government's apparent inability to revise the state pension arrangements to equalise pension ages and entitlements.

Final salary pension schemes do not know whether the equalisation of entitlements between the sexes applies merely to service after the date of the Barber judgment (May 17 1990), or whether it applies to the entire pension paid to those retiring after that date. In the former case future pension costs for companies *may be increased substan*tially, unless, as you say, companies force through an increase in the female retirement age to 65. If the latter view prevails, schemes will be faced with an immediate capital cost, which fortunately can be met from the substantial surpluses which many schemes now harbour. When coupled with the effect of the Social Security Act 1990, which means that surplus *is* used to provide pension increases, present surpluses may be seriously reduced or eliminated.

Such developments are feared by many in the pensions industry, notwithstanding the legal view promulgated by the National Association of Pension Funds that retrospection *does not apply. Until the Euro*pean Court opines on the matter, confusion will reign.

Under the SSAP24 accounting standard, surplus was assumed to be available for employers: and pension costs in recent accounts have allowed for it on an amortised basis; for many companies the result is a zero or even negative pension cost. The instant elimination of surplus will cause a sudden increase in pension costs which may seriously dent the profits of many companies.

Clearly the government should, apart from giving more urgency to plans to equalise *state pension ages*, take steps to obtain a quick decision on the meaning of retrospection. Most large employers may have little choice but to meet the increased costs that the developments imply. Others are giving increasing thought to the dismantling of final salary schemes in favour of arrangements whose costs are more predictable.

Charles A Evers,
partner, KPMG Peat Marwick
Actuarial Services,
8 Salisbury Square, EC4

Closing UK arms agency could help curb military exports

From Ms Janet Williamson.

Sir, We read with interest *your editorial "Responsibility* in arms sales" (March 28) regarding arms sales in light of the Gulf war. There have been many calls since the crisis began last year for increased control over conventional arms transfers.

As you rightly point out, however, the desire to prevent such a crisis from recurring is likely to be tempered by the lure of increased exports as home markets continue to shrink.

Closure of the British government's Defence Export Ser*vices Organisation – which* exists purely to promote military exports – would be a first step in stemming UK arms exports, thereby reducing Britain's role in the dangerous game of the arms trade.

Janet Williamson,
joint co-ordinator,
Campaign Against Arms Trade,
11 Goodwin Street, W4

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

How wise is it 'to keep your head down when reporting losses'?

From Mr Norman Woodhouse.

Sir, Groupe Bull's crisis advertising ("Groupe Bull announces net loss of FFr6.8bn", March 28) opens by mistakenly using the present tense, instead of announcing that the golden rule of communications *was* "to keep your head down when reporting losses".

Times have already changed. Enlightened management know that beating a crisis is a combination of effective corporate action and credible communications, as British Airways is demonstrating with its free fare offer. One without the other will fail.

It is counter-productive to overstate a case, as the Institute of Practitioners in Advertising risked doing in its recent campaign. The theme was commendable – quoting authoritative *studies* to show that "in every recession ... companies which cut their advertising budgets performed badly compared with those which maintained or increased them". However, the credibility of that message was impaired by claims made *later in the copy* – for example, that in a recession people "may be cautious about spending money on luxuries and exceptional items". Of course we resist spending impulsively or extravagantly when times are tough, with the result *that unsold goods pile* up in the shops and staff are laid off.

Businesses determined to survive the recession should be planning now to overcome any crisis – whatever its dimension – that may be just around the corner, a *theme to* be explored at a crisis communications conference ("Strategies for survival") at the Cafe Royal on April 9.

In a crisis, directors and managers will suddenly find their lives dominated by calamitous events which defy logical solutions. How they communicate with the public, employees, customers, consumers and *other* key audiences, will be crucial to the outcome. Credibility matters more than anything.

Quaker Oats recently took prompt action by withdrawing from sale packets of Sugar Puffs containing a "sticky *flicker*" toy *that might* be eaten by children thinking it was a sweet. Cambridge should set up a Boat Race crisis management team, *having been* beaten for the fifteenth time in 16 years – in their case, better late than never.

Norman Woodhouse,
chief executive,
Direct Communications,
10 Palmersfield Road,
Banstead,
Surrey

From Mr John Aeberhard.

Sir, In the kingdom of the blind ... *Bull's self-flagellatory* advertising only serves to underline the weakness of the European information technology *industry. No wonder* Bull makes losses of FFr6.8bn (£.68bn) if, by its own admission, it is spending FFr5m to *emphasise the point in full* page advertisements in the international media.

As your correspondent suggests, *most companies in Bull's* position would prefer to keep their heads down – for good reason. The sensible ones *would also have chosen to* resource a below-the-trench PR campaign rather than have their heads blown off by "friendly fire".

John Aeberhard,
managing director,
A Plus Group,
Tithe Barn,
Tithe Court, Berks.

FINANCIAL TIMES
Wednesday April 3 1991

Iran frees Briton held for five years

By Scheherazade Daneshkhu in London

Alan Harper

Roger Cooper: sees his own release as a hopeful sign

IRAN yesterday underlined its determination to mend fences with the west when it released Mr Roger Cooper, a Briton held without trial for more than five years in a Tehran prison.

The decision emphasised the trend towards a more pragmatic foreign policy ushered in by President Hashemi Rafsanjani, who insisted on Iran's neutrality throughout the crisis over the Iraqi occupation of Kuwait.

Mr Cooper said after his arrival in London that he was grateful to the circle of people around Mr Rafsanjani who had pressed for his release. "I believe that the Iran that has set me free is not exactly the same as the Iran that arrested me," he said.

Hopes have also been raised for the British hostages still held in Lebanon, although Islamic extremists in Beirut who are strongly influenced by Iran said the issues were not linked. Mr Cooper said yesterday he hoped that Iran was planning to make further humanitarian gestures and thought there were positive signs regarding the 12 western hostages held in Lebanon.

Britain has stressed that the resumption of full diplomatic relations was blocked by the issue. "We have on many occasions made clear that we want better relations with Iran," Mr Douglas Hurd, foreign secretary, said yesterday in Hong Kong. "The release of Mr Cooper is an important step in that direction."

Iran severed diplomatic links with Britain in 1989 during the height of the row over Salman Rushdie's book "The Satanic Verses". Ties were partly restored last September with an exchange of diplomats, but Britain has yet to appoint an ambassador to Tehran.

Mr Rafsanjani was aware of this and of the adverse publicity Iran earned by holding a man never given a fair trial. This was exacerbated by the confused response of the Iranian government which issued contradictory statements at various times about the status of Mr Cooper.

At one point it appeared that he had been given the death sentence; at other times, it was claimed that he had been given a 10-year sentence with an unspecified starting date.

In July last year, the head of the judiciary, Ayatollah Mohammad Yazdi said his sentence had not been determined; last October, the director of Evin prison where Mr Cooper was held said that Mr Cooper was being tried a second time on new charges.

This was despite a televised appearance by Mr Cooper in February 1987, in which he "confessed" to having worked for British intelligence – a crime with which he could have been specifically charged.

Mr Cooper said he felt particularly bitter about the Iranian interrogators who put him under pressure to make a televised confession. "There were certain things that were written for me, or that I adapted to meet their requests. I learned it by heart", he said.

It is clear that Mr Rafsanjani wished to give the government a way out of its continued detention of Mr Cooper without losing face internally.

Hopes for Mr Cooper's release were raised in 1989 when Mr Yazdi expressed the hope that Ayatollah Ali Khamenei, the spiritual leader, would pardon Mr Cooper. This followed the release of Mr Kuroush Fuladi, an Iranian who had served 10 years in Britain on terrorist charges. The request brought down the fury of hardliners who asked Mr Yazdi to explain himself.

The suddenness of the release, and the strict secrecy which surrounded it, is understood to have been in order to prevent hardliners from seeking to intervene. The immediate trigger was provided by the release and deportation last month of Mr Mehrdad Kokabi, an Iranian held in Britain without trial on arson charges for 15 months.

Cooper leaves the country he loves, Page 4

THE LEX COLUMN

CBI survey brings spring to market

Despite having risen 15 per cent in the first quarter of the year, the London equity market shows no immediate signs of flagging as it enters the second. Yesterday's strength was due chiefly to the latest survey from the Confederation of British Industry, which was taken to show a turn in the economy. In fact, the survey expects output to fall further in the second quarter. But the rate of fall is levelling in a way which may be consistent with a second half recovery.

This was good enough for a market whose nerve has been considerably strengthened by the absence of shocks in a critically important results season. Part of this will have been due But County NatWest now reckons industrial earnings in 1990 to have fallen by a mere 5 per cent or so, compared with falls of over 20 per cent in the early 1980s. The drop will be steeper at this year's interim stage. However, if the second half upturn arrives punctually, earnings for the year as a whole could be little changed.

In the nearer term, the CBI survey also brought encouragement on the vexed subject of output prices. The chief source of doubt over progress on UK inflation has been the official figures for output prices in January and February. For those who take this to be a lagging indicator, there is comfort in the fact that CBI members' hopes on price rises are now the weakest since the survey began in 1975.

This in turn has considerable bearing on the scope for base rate cuts. With sterling apparently lodged for the time being as second strongest member of the ERM after the peseta, the only reason for not cutting rates must be domestic. If the government chooses to wait another fortnight until the next retail and wholesale price data, its caution can be applauded. For an equity market already looking to 1992 and beyond, all that matters is that the next few cuts should be in the bag.

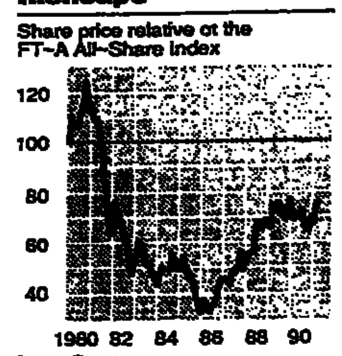
ADT

The tussle between ADT and its 28 per cent shareholder Laidlaw is turning into a classic boardroom soap opera. At stake is the position of Mr Michael Ashcroft, who built up ADT but no longer holds a substantial stake in it. The hostility of Laidlaw and its controlling shareholder Canadian Pacific is understandable. The recent collapse in ADT's profits was due not to its operating businesses, which still seem sound enough, but to Mr Ashcroft's share-dabbling.

Meanwhile shares in Laidlaw, an erstwhile Canadian superstar, have collapsed by 35 per cent against the local market in less than two months. By no means all of this is Mr Ashcroft's fault. He may have his work cut out just the same.

Inchcape

Share price relative ot the FT-A All-Share index



Source: Datastream

Inchcape

A year ago, Inchcape shares fell 6 per cent on news of a small underlying increase in operating profits. Yesterday the shares rose 4 per cent on similar news.

The dividend increase apart, one suspects the market has now largely altered its view of this once unfashionable services and marketing company. At 319p, the shares are close to their all-time high, yield slightly more than the market average and are still at a discount to the prospective market rating.

This might be explained by Inchcape's perceived exposure to Hong Kong and the supposedly volatile motor industry. The former is largely irrelevant, since Inchcape has few physical assets there and could easily move elsewhere in the region.

As for the motor division, geographic diversification offers some protection, as does the continued success of the Toyota franchise.

The balance sheet is healthy. Two-thirds of net borrowing of £97m, down from £170m, is covered by cash balances in its growing insurance operations, so stated gearing of 20 per cent is less costly than it looks.

The Hutchison acquisition has been comfortably absorbed and the group was cash neutral on the year after paying tax and dividends. Given the sharp earnings increase expected in 1992 and Inchcape's ability to gear up for a big acquisition, investors might reflect that it is not too late to jump aboard.

French equities

By London standards there was something remarkably laid back yesterday about the way Accor calmly announced that it was thinking of raising new capital.

The hotels group, though, is not the first French company to be hinting that the rights issue tap is about to be turned on in Paris as well. The conditions appear to be in place, including a good run for shares since the start of the year and strong institutional liquidity.

French companies, which have been investing heavily in recent years, raised FF60bn from shareholders last year. But the bulk of that came in the first half, with the market tumble in the second half effectively denying companies access to equity funding. By December, the proportion of the corporate sector's financing requirements met from cash flow was probably below 80 per cent.

And while many resorted to perpetual loan notes – which can be classed as equity – to help bridge the difference, the apparent rise in gearing has been offset by a drop in interest cover.

The question for investors is the extent to which the expected cash calls will spoil the party. Taken with the halt in interest rate cuts, some depressing effect seems likely. On the other hand, it is worth remembering that the French penchant for convertibles guarantees a better reception than for straight rights issues; and that the *noyau dur* system of shareholding in major French groups allows a degree of market manipulation which would be impossible in the UK. With Germany still going rapidly out of fashion, moreover, the French market may benefit in the next few months as institutions adjust their continental weightings.

Markheath

Those institutions which last summer delivered Camford Engineering into the hands of Markheath Securities seem to have missed a trick. By selling on Camford's engineering business to Hoesch, Markheath appears to have made a £14m profit on a £62m investment in a matter of months. Like the institutions, Markheath is short-termist: it is just better at it.

Soviets face empty shop shelves and price rises

Continued from Page 1

dants. "I expect even greater price increases so I want to buy something.

"Gold is always gold," said Diana, a housewife who said she did most of her shopping on the black market.

Vladimir, a retired army officer who was queueing for gold, said he thought things might improve in a year if the new system gave a better incentive to producers to supply goods.

"Let things be expensive, but let there be goods," he said.

The government says its ultimate aim is to free all prices so they can all find their market level.

For the moment, however, prices of only 30 per cent of all types of goods supposedly available in the state retail network, many of which such as furniture are in any event nowhere to be found, are being "liberalised" – with retail outlets banned from adding more than a 20 per cent mark-up.

A total of 15 per cent, so-called "regulated" items including carpets, children's toys and matches, are supposed to be kept beneath ceilings set by the state.

The remaining 55 per cent, including staple foods, are to be controlled by the state.

In this category the price of a few items such as petrol, vodka and stockings, are to remain unchanged.

A few steps away from the jewellery shop, another GUM counter full of stockings priced at Rbs15 had no buyers.

In the men's clothing section, there were coats but no suits.

In a women's section next door, there was nothing, except two rows of green raincoats.

Only a small minority of those questioned said that market reforms would solve the problem of an ailing state supply system.

"I think it would be better if there were a market. That would give people an incentive to work," said Ms Natalya Kurkhina, a physics student who was queueing for 75-kopeck packs of razor blades.

Bread at least seemed to have made a comeback yesterday, after several days of scarce supply in Moscow and Leningrad.

But this was seen as a coincidence rather than as a result of the price reform, and it did little to ease the general gloom.

"I think it is terrible, terrible. I don't know what will happen.

"They sit up there at the Kremlin and talk and talk. But they have food there," said Mrs Natalia Aksenova, a pensioner, at the Gastronom. "But even here, so close to the Kremlin, you see, there is nothing."

Japan's cartel busters get tough

Anti-trust body seeks to counter US criticism, writes Robert Thomson

WITH the recent busting of a cosy cartel among manhole cover makers and the imposition of a record penalty on cement producers, Japan's Fair Trade Commission (FTC) is offering Washington a string of corporate scalps as evidence of a new determination to eradicate monopolies.

Japan's poor record of punishing anti-trust violators is one of the most sensitive bilateral trade issues, but the cartel busters at the commission argue that their recent spate of highly-publicised successes has made them one of Tokyo's most feared institutions.

"People are afraid of us now. We, the police and the tax agency are the bodies that Japanese companies don't want to antagonise," said Mr Tsuyoshi Motonaga, director of the FTC's cartel investigation division.

The US, perceiving that cartels were rife in Japan, suggested that the FTC was "toothless" and wanted far tougher penalties imposed on violators, as well as a clear sign of political support for the enforcement of anti-monopoly laws.

Washington still suspects that laws are not applied with much vigour against the country's better-known companies, which often have close relationships with rivals, and that foreign companies' opportunities are restricted. Mr Motonaga argues that any company, regardless of its political influence or renown, is fair game for his investigators.

Anti-cartel penalties imposed by Fair Trade Commission

Financial year (ending March)	1985	1986	1987	1988	1989	1990
No. of companies	38	32	54	84	54	175
Amount (m yen)	407	275	147	419	803	12,580

Source: Fair Trade Commission of Japan

In the financial year to end March, the commission penalised 175 companies a total of Y12.56bn ($90m), up from 54 companies and penalties totalling Y803m in fiscal 1989. Pharmaceutical companies, brewers and electronics makers have been investigated recently, and industry associations, sometimes a base for broad price-fixing agreements, are getting extra FTC attention.

After US criticism, investigative staff were increased last year from 129 to 154, and the FTC is awaiting approval for fines to be lifted from 2 per cent to a maximum of 6 per cent of sales for manufacturing companies found to be cartel members.

The FTC has just established a joint office with the public prosecutor and it is presumed that a criminal action will be launched soon – further evidence of the commission's vigilance. In the past two decades, there has been only one criminal case, an action brought against oil companies in 1974.

While some US officials claim that the FTC remains a captive of corporate Japan and the US Trade Representative's office wants the maximum penalty to be increased to 10 per cent of sales, there are signs that corporate Japan is uneasy about the commission's enthusiastic pursuit of cartels.

Construction companies fear that they will be targeted for a criminal case because, as one company executive argued, "the FTC wants to get a victim and it misunderstands the connections in the construction industry". And the Ministry of International Trade and Industry (Miti) has just told the commission to revise proposed legislation that would enable it to order companies to sell cross-shareholdings deemed to violate anti-trust laws.

But doubts linger about the cartel campaign. Japanese companies see "excessive" competition as a cause of economic problems in the US and argue that the corporate cross-holding system provides needed stability. This fundamental difference in ideology surfaced during bilateral negotiations in the past year, but Japan has not argued loudly for fear of antagonising Washington.

During talks last year to remove "structural impediments" to bilateral trade, the Japanese government promised to release a statement condemning the monopolistic tendencies of the corporate families known as "keiretsu".

The eventual wording was tilted in praise of the stability created by keiretsu and the US wants another statement drafted, although Japanese trade officials insist that the matter is closed.

Mr Motonaga said "compared with the US or Europe, Japanese companies are less likely to have made detailed records of the cartel agreements. They don't like to document these sorts of things," which makes the hunt for evidence even more difficult.

US to extend list of Iraq 'front' companies

By Jimmy Burns in London, Alan Friedman in Washington and Christina Lamb in Rio de Janeiro

THE US plans to identify several dozen more companies around the world which it claims are fronts and agents of the Iraqi government over the next three weeks, senior US Treasury officials said yesterday.

The officials hope that the publication of further lists will both encourage more information about Iraq's financial and arms dealings and discourage such activity in the future.

But both the US and British governments were facing political and business pressure yesterday to substantiate allegations linking a list of 52 companies and 37 individuals to a worldwide Iraqi network of illegal military and financial dealings. The list, representing the first time that the US administration had publicly identified the companies, was published on Monday.

By last night, the US administration had provided no evidence publicly of its claims and one senior US investigator admitted that the Treasury might have miscalculated the extent of adverse reaction to its list.

In the UK, the opposition Labour party demanded a full statement by Mr Peter Lilley, trade and industry secretary, on the position of the numerous British-based companies and individuals effectively blacklisted by the US government.

Mr Gordon Brown, Labour's chief spokesman on trade, said: "It is now time for us to be told which companies broke the arms, embargo against Iraq and what action will be taken."

He added: "If any firm did break the embargo then the strongest possible action should be instructed. If any of these firms has done no wrong, then its name should be cleared immediately."

The statement was issued on a day when several companies and individuals named on the list threatened to take legal action against the US administration for having been wrongfully named and potential damage to their business interests as a result.

In Rio de Janeiro, Mr Joaquim Ferreira Amaro, the President of Banco Brasileiro-Iraquiano (BBI) said that the inclusion of himself and six of his staff, past and present, on the list were "absolutely unfounded".

He said he intended to bring legal proceedings against the US for "compensation for damage to our honour and credibility." The bank has two offices in Brazil, one of them named in the list. Its capital is controlled equally by the state-owned Bank of Brazil, Brazil's largest bank, and the Iraqi state-owned Rafidain Bank in Baghdad.

"Front men" protest innocence. Page 4

France in UN appeal over Iraq repression

By George Graham in Paris and agencies

FRANCE WAS yesterday preparing to appeal to the United Nations Security Council over the repression of the Kurdish and Shia populations of Iraq by the government of Mr Saddam Hussein.

Turkey also said yesterday that more than 200,000 people fleeing Iraq were in danger of death near its frontier and called for an urgent meeting of the Security Council.

"The National Security Council has established that over 200,000 people, mostly women and children, are facing danger of death near our borders," the council, headed by President Turgut Ozal, said in a statement released after a two-hour meeting.

The appeal follows pleas for outside help from Kurdish rebels who appear to be losing ground in their fight for Iraqi Kurdistan, despite reports yesterday that they had recaptured the oil centre of Kirkuk after fierce battles with government forces.

A spokesman for the Patriotic Union of Kurdistan (PUK) said rebels counter-attacked during the night and morning to retake the strategic city, which they lost on Thursday. "More than 10,000 fighters of the Kurdistan front and the popular forces are now inside Kirkuk," the Damascus-based spokesman said.

Mr Daniel Bernard, French foreign ministry spokesman, said it was essential that the Kurdish people's claim to express its own identity should be fully recognised, although French officials have also emphasised the need to preserve Iraq as one country.

Details of the French plan for alleviating the plight of the Kurds were not available yesterday afternoon. France's representative at the United Nations was, however, due to speak at the Security Council meeting in New York last night, and was expected to outline his country's proposals.

Mr Bernard Kouchner, minister for humanitarian action and former head of the Médecins Sans Frontières international charity, has several times criticised the "cynical" indifference of the world to the plight of the Kurds.

Apart from shooting down two Iraqi aircraft which were bombing Kirkuk, the US and its allies have refused to intervene in the battle because that would have gone beyond the terms of the UN Security Council mandate which specified only the removal of Iraqi troops from Kuwait.

The Iraqi government, which launched an offensive last Thursday, said on Monday it has retaken most major cities and towns seized by the Kurds.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Berlin	R	11	52	Caracas	F	29	84	Faro	S	17	63	Islamabad	R	17	63
Algiers	F	16	61	Biarritz	S	18	64	Casablanca	F	17	63	Florence	S	18	64	Istanbul	R	7	45
Amsterdam	C	11	52	Bombay	S	31	88	Chicago	S	-3	27	Frankfurt	S	16	61	Jakarta	R	32	90
Athens	S	15	59	Bordeaux	S	17	63	Cologne	F	17	63	Geneva	F	16	61	Jersey	C	11	52
Bahrain	S	27	81	Boulogne	F	11	52	Copenhagen	C	9	48	Gibraltar	S	17	63	Johannesburg	S	22	72
Bangkok	F	34	93	Brussels	S	14	57	Corfu	R	15	59	Glasgow	C	9	48	Lima	F	26	79
Barcelona	S	15	59	Budapest	S	11	52	Dallas	S	12	54	Helsinki	R	4	39	Lisbon	S	16	61
Beirut	–	–	–	Buenos Aires	–	–	–	Dublin	R	8	46	Hong Kong	C	17	63	London	C	10	50
Belfast	C	9	48	Cairo	C	32	90	Dubrovnik	S	15	59	Innsbruck	S	15	59	Los Angeles	C	12	54
Belgrade	F	13	55	Cape Town	S	22	72	Edinburgh	F	9	48	Inverness	S	8	46	Luxembourg	F	13	55

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	16	61	Milan	S	14	57	Nicosia	S	26	79	Salzburg	F	17	63	Tenerife	C	18	64
Madrid	S	17	63	Montreal	F	1	34	Oporto	F	14	57	San Francisco	F	10	50	Tokyo	F	9	48
Majorca	S	17	63	Moscow	C	4	39	Oslo	F	10	50	Seoul	S	11	52	Toronto	C	0	32
Malaga	S	16	61	Munich	S	16	61	Paris	S	18	65	Singapore	F	31	88	Tunis	C	15	59
Malta	F	17	63	Nairobi	F	24	75	Peking	S	20	68	Stockholm	C	9	48	Valencia	S	21	70
Manchester	R	11	52	Naples	S	16	61	Prague	F	14	57	Strasbourg	S	18	64	Venice	S	15	59
Manila	F	32	90	Nassau	R	24	75	Reykjavik	S	2	36	Sydney	S	20	68	Vienna	C	14	57
Melbourne	F	19	66	New Delhi	S	33	91	Rhodes	S	19	66	Taipei	C	18	64	Warsaw	F	14	57
Mexico City	F	26	79	New York	F	5	41	Rio de Janeiro	R	35	95	Tangier	F	16	61	Washington	C	6	43
Miami	S	18	64	Nice	S	16	61	Rome	F	17	63	Tel Aviv	S	29	84	Zurich	S	15	59

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday April 3 1991

INSIDE

No UK favourites in British Telecom sale

The UK government is gearing up to sell its *48.6 per cent stake in* British Telecom. But unlike other privatisations, UK institutions will have to take their chances along with their US, Japanese and continental European competitors. BT shares will *not be allocated to different markets in* advance of the flotation. Roland Rudd reports on the introduction of a new type of merchant bank adviser – the global book-runner – who will mastermind the British Telecom sell-off. Page 28

Food for thought

It is estimated that five supermarket groups account for 60 per cent of the food consumed in the UK. But farmers, who benefit from the marketing and packaging strategies of these retailing giants, are increasingly dissatisfied with their trading relationship. Stories of ruthless supermarket buyers who chop and change specifications mid-contract and of delays in payment are rife. Farmer's Viewpoint looks at how some companies are trying to repair the damage. Page 30

Markheath sells Camford

Markheath Securities, the property group headed by John Spalvins (left), is selling Camford Engineering, the automotive component company which it acquired last year. The buyer is Hoesch, the German steel and engineering company, which is paying £54m ($94.5m) in cash. Markheath will retain Camford's non-operating properties, valued at £22m. Markheath paid £62m for Camford. Page 26

On the road to Shanghai

China's campaign to attract foreign investment for large-scale urban development programmes has taken an unusual twist. Plans are being finalised to allow foreign investors to buy and sell shares and bonds on the fledgling Shanghai stock market. A special category of foreign-owned B shares is likely to be created in approved companies on the exchange, which was opened last December. John Elliott reports. Page 23

King Coal battle looms

CRA, the 49 per cent subsidiary of RTZ of the UK, is determined to leapfrog its arch resources rival BHP to become Australia's biggest coal exporter within a few years. This thrust for supremacy is underlined by CRA's bid for Coal and Allied Industries, Australia's fourth-largest coal shipper. Also at stake may be the ability to set international coal prices. Bruce Jacques reports on the battle to be King Coal. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				*Rises*			
Aachen Mch	815	+	35	Accor	839	+	32
BMW (Br)	537.5	+	15.5	Canal+	987	+	18
Mercedes Hld	537	+	11	Geophysique	722	+	19
Philips Kommun	580	+	50	Peugeot	579	+	14
Springer Axel	713.5	+	18.5	Union Immob	589	+	17
Falls				*Falls*			
Rheinmetall Pf	238	–	8	Promodes	1996	–	49
NEW YORK ($)				**TOKYO (Yen)**			
Rises				*Rises*			
Compaq	62⅛	+	½	Chugaikakogyo	622	+	57
Digital Equip	64½	+	¾	Dynic	1250	+	150
McDonnell Dgls	40⅘	+	2½	San-Ai Oil	1250	+	140
Unysis	5	+	¼	*Falls*			
Falls				Katakura Inds	2360	–	220
Hercules	35½	–	5¾	Teikoku Piston	840	–	60
IBM	11⅜	–	⅞	Toyo Bosaito	1010	–	90

LONDON (Pence)							
Rises				SD-Scicon	35	+	5½
Airtours	356	+	16	Smiths Inds.	285	+	10
Ambassador	30½	+	3½	Trafalgar Hse.	261	+	14
Barclays	457	+	15	Tsthse Forte	277	+	10
Bass	943	+	30	WPP	154	+	6
Cook (D.C.)	25	+	5	Wellcome	530	+	18
Ricn-RS	44	+	8	*Falls*			
Guinness	908	+	13	AIM	97	–	12
Inchcape	319	+	13	Logitek	20	–	4
Markheath	41	+	3	Sothebys A	800	–	75
Quarto	119	+	14				
Quotient	85xd	+	13				

Alcatel net profits jump by 24%

Suard: 'a good year'

By Ronald van de Krol in Amsterdam

ALCATEL, the French telecommunications company, saw its net profit surge by nearly a quarter in 1990, helped by the strong performance of the main business – telephone switching equipment for national telephone networks.

Net profit rose by 23.7 per cent to Ecu591.6m ($749m) from Ecu478.4m in 1989. Sales were up a more modest 5.1 per cent at Ecu13.4bn.

Operating profit in public network systems jumped by 57.5 per cent to Ecu632.2m. This increase, which the company attributed in part to successes in the former East Germany and in Australia, compared with a more moderate rise of 2.5 per cent for Alcatel's line transmission business and 4 per cent for its cables business. Although the volume sales of cables expanded, selling prices were deflated by the decline in the price of copper, a key component.

Operating profit at the business systems sector, which includes company switchboards and facsimile equipment, tumbled by more than 60 per cent to Ecu40m, reflecting fierce competition.

"Our competitors faced the same problems, so Alcatel performed relatively well," said Mr Pierre Suard, Alcatel's chairman.

Mr Suard described 1990 as a good year for the telecommunications group. He said he was particularly happy that Alcatel's return on sales had risen from 4.1 per cent in 1989 to 5 per cent in 1990, meeting a target which the company had originally not expected to reach until 1992.

Speaking in the Netherlands, where the company is legally incorporated though its headquarters are in France, Mr Suard predicted a further increase in 1991 but he made no forecast.

Alcatel is 70 per cent-owned by Alcatel Alsthom of France, which is due to publish its results today, and by ITT Corp of the US. The company, set up in 1987, describes itself as the world market leader in three of its four core businesses – public network systems, line transmission and communication cables. In business systems, it ranks second worldwide after Siemens of Germany.

Mr Suard reported strong demand for Alcatel's switches from eastern Germany. In Australia, Alcatel's System 12 exchanges were chosen as a second switching system by Telecom Australia, the country's telecommunications authority.

"This is the first time in 30 years that Australia has added a second system for its public network to [its existing] Ericsson exchange," he said.

Bankers press for changes at WPP

By Alice Rawsthorn in London

WPP, the troubled marketing services group in the final stages of negotiating a $1bn financial restructuring package, is under pressure from its banks to make senior management changes.

The banks are believed to be pressing WPP to appoint at least one new senior figure to its main board. This might involve replacing David Ogilvy, its 80-year-old non-executive chairman, or appointing an executive director, possibly in a new post such as group managing director, to work with Martin Sorrell, WPP's founder and chief executive.

WPP is struggling to service the debt taken on two years ago to buy Ogilvy & Mather, the New York-based advertising agency founded by Mr Ogilvy. The group has been locked in negotiations with its banks over the restructuring since December.

During the negotiations, Mr Sorrell is thought to have resisted attempts by the banks to force WPP to make disposals and replace Mr Robert Lerwill as group finance director.

However, the banks are believed to more determined on the management issue. They are keen to use the negotiations to press for the appointment of a senior figure to check Mr Sorrell's power within the group.

The banks hope to have reached agreement on the management changes by the time the restructuring is finalised, but it may be some time before they are announced. The restructuring is expected to be completed within the next two weeks.

WPP, advised by Samuel Montagu, has already agreed preliminary proposals for the restructuring with six of its largest banks led by JP Morgan. These are being studied by the smaller banks in its 30-strong syndicate.

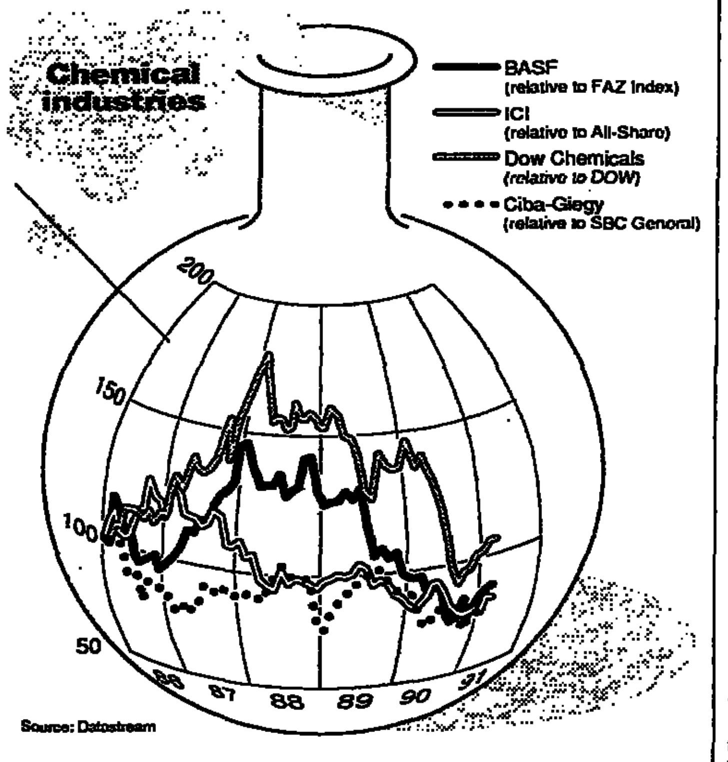
The proposals are thought to include increasing WPP's working capital facilities by $70m to $270m. The group, which also has a $600m seven-year term loan, would convert uncommitted facilities of $100m into committed facilities.

WPP's minimum covenanted interest cover – the ratio of debt interest to operating earnings – would be reduced from 2.8 to two times for 1991 and from 3.2 to around 2.5 times for 1992.

In return, the banks would raise interest payments on the group's debt from an average 1.5 to 2 percentage points above money market rates. WPP's shares yesterday rose 6p to 154p on rumours of a proposed management buy-out of Ogilvy & Mather. Ogilvy has denied this.

Chemical groups wake up to a harsh reality

The hard-hit industry has little reason for optimism in 1991, report Clive Cookson and Karen Zagor



Source: Datastream

As the annual financial reporting season draws to a close, it is becoming clear that every large international chemical company suffered a fall in profits in 1990. Most can expect earnings to fall again this year.

After the trauma of the 1980/81 recession, large chemical groups made an effort to diversify away from commodity chemicals, the most vulnerable to the cyclical ups and downs of the world economy. The companies attempted to move into more specialised, higher-added-value products.

The 1990/91 experience shows that they were only partially successful.

Dow Chemical of the US was not able to diversify fast enough and petrochemicals remain its core business. As a result, Dow's profits are sensitive to energy and feedstock costs and profits plunged 45 per cent last year.

In contrast, earnings at Du Pont fell by only 7 per cent. Du Pont's Conoco oil business, acquired in 1981, helped buffer the company from the dual problems of recession and rising oil prices.

Monsanto, as the most diversified of the big US chemical companies, is one of the few expected to post improved earnings in 1991.

The chemicals industry may not have been hit as hard as it was 10 years ago, but several executives admit to over-optimism following the reshaping of the 1980s. Diversification has not been enough to shield the companies from the combined impact of another recession and oil price shock.

"Some of our businesses have not been as resilient as we expected – or as we said they would be," admits Sir Denys Henderson, chairman of ICI.

More than any other large international industry, chemicals still has its heart in Europe. Eight of the world's 10 largest chemical companies are European and two – Du Pont and Dow – are American. The leading Japanese chemical companies are only one-quarter the size of the "big three" German groups – BASF, Hoechst and Bayer.

But all these large groups operate in world markets and their profit margins were eroded in 1990, whatever the strength or weakness of the economy in their home country. Strong domestic demand following German unification did not prevent pre-tax profits falling by 37 per cent at BASF, 23 per cent at Hoechst and 18 per cent at Bayer.

BASF, for example, sold DM9.4bn ($5.53bn) worth of chemicals in North America last year – 10 per cent less than in 1989, due to the weakness of the US dollar and the American recession. "Ninety per cent of the products we sell in the US are made locally," says Mr Jürgen Struber, BASF chairman. "We are now in a position to export from the US to the Far East."

Last year's downturn was not severe enough to reduce the total volume of world chemical production. According to the UK Chemical Industries Association, world output in 1990 was up by 1.9 per cent on 1989. The volume rose by 3.5 per cent in Japan, 1.4 per cent in the US and 1.7 per cent in Europe. The UK was the only large producing country where output actually fell last year – by 1.3 per cent.

Predictions from the main chemical manufacturing associations for 1991 suggest that world output will rise by a further 1 to 2 per cent. The strongest growth is forecast to be in the Asia-Pacific region while UK chemical production will continue to decline.

Although worldwide sales volumes are holding up, the industry is being squeezed financially between weak prices for its products, particularly petrochemicals, and high raw material costs.

The squeeze was exacerbated by the Gulf crisis. The price of naphtha, the key ingredient for petrochemical manufacturing, is still well above $200 per tonne, compared to about $150 last year before the crisis. Although crude oil is plentiful, there is a relative shortage of refining capacity. The damaged refineries in Kuwait were important suppliers of naphtha to the world market.

Even the Japanese chemical companies, operating largely in the booming Asia-Pacific region, have been caught in the price squeeze. Sumitomo Chemical, for example, pushed up sales by 13.5 per cent in 1990 but still suffered a 15 per cent fall in pre-tax profits.

Chemical shares were among the worst performers on most stock markets last year. But they have perked up over the last three months on hopes that earnings will revive as the world economy picks up later this year.

Many analysts who cover the chemical sector for financial institutions believe that such optimism is misplaced, however. They say that the industry has its own structural problems – notably serious overcapacity in petrochemical plant. Such difficulties mean that there will no general recovery in chemical profits until late 1992 or even 1993, whatever happens to the the rest of the economy.

Compared to the 1980/81 chemical downturn, "the trough is likely to be longer and the upturn less prominent," said Mr Paul Singer of Morgan Stanley. "This will not be a U or a V-cycle but more of an L-cycle."

Overcapacity stems from the mid-1980s, when economic expansion prompted surging demand for bulk chemicals. Supply was severely limited because many plants had been closed down following the slump in the industry at the start of decade.

The large profit margins tempted chemical companies in all parts of the world to invest in new plants for such chemicals as ethylene, propylene and basic plastics – many of which are now about to come on stream. Mr Mike Crawshaw of County NatWest Securities estimates that worldwide petrochemical capacity will increase by as much as 15 per cent by the end of 1992.

Even with buoyant petrochemical demand, that would cut capacity utilisation from the present 90 per cent to 83 per cent.

"There is some very bearish news out there that the market has chosen to ignore," said Mr Andrew Benson of Flemings Research.

"The pressure on chemical margins is still rising and will not abate in 1992." A recovery in the profitability of commodity chemicals in that year "quite simply looks like wishful thinking," he adds.

Ashcroft accuses Laidlaw of attempt to control ADT

By Richard Gourlay in London and Bernard Simon in Toronto

THE STRUGGLE for boardroom control at ADT became increasingly bitter yesterday when the Bermuda-based security and car auction group accused its largest shareholder, Laidlaw of Canada, of seeking control of the company.

Mr Michael Ashcroft, the ADT chairman, also said Laidlaw's request on Monday for a US district court to nullify an agreement between the two companies denying the Canadian group any board representation, was "contrived" and factually inaccurate.

Mr Ashcroft said he was "appalled that Laidlaw should resort to tactical litigation in an attempt to obfuscate the fact that it is seeking effective control of ADT".

The Canadian waste management group's suit alleges, among other things, that ADT maintained an "illusory profit stream through the shifting of assets back and forth between ADT and controlled affiliates". It also said that Laidlaw acquired its stake in ADT "relying on false and misleading disclosures".

Laidlaw, which is controlled by Canadian Pacific, owns 28.4 per cent of ADT. Since Mr Michael de Groote, Laidlaw's founder, retired last year, the Canadian company has had no representation on ADT's board.

The deterioration in relations was emphasised on Monday when Laidlaw used its vote to adjourn until June 3 a special meeting of ADT shareholders in Bermuda at which significant changes to the by-laws were proposed.

Laidlaw said yesterday that it has no intention of lifting its stake in ADT beyond 30 per cent despite the court action to end its so-called "standstill" agreement.

The agreement was drawn up after Laidlaw bought its ADT stake in 1989. It includes a provision for Mr Ashcroft and Mr de Groote to take seats on each other's boards.

Mr Donald Jackson, Laidlaw's chairman, said the court action related to efforts to gain four seats on an expanded ADT board, and to seek more information on the Bermuda-based group's proposals.

These include a proposed increase in authorised capital and an innovation making only 30 per cent of the 1990 dividend available in cash.

Laidlaw said ADT was also seeking a "broadening of directors' powers to allot shares," which might dilute its holding. ADT yesterday denied there was any such proposal.

The Canadian company has petitioned the New York court to prevent Mr Laidlaw and other ADT directors "from violating federal securities laws". ADT said it would vigorously contest the suit.

Observer, Page 16; Lex, Page 18

UK currency curbs 'too weak'

By Stephen Fidler, Euromarkets Correspondent, in London

A SURVEY of top British companies has uncovered "worrying weakness" in internal controls on foreign exchange activities by corporate treasuries.

The survey follows the disclosure last month that the corporate treasury group of the UK food group Allied-Lyons lost £150m ($264m) on foreign exchange transactions.

The survey, by Touche Ross management consultants, covered 41 organisations out of 50 chosen randomly from the top 250 companies.

According to Touche Ross, the survey "illustrates a worrying weakness in internal controls". This was evident in the fact that almost half of the companies did not segregate the duties of the dealer from those of the back office, such as transactions settlement.

It also pointed to a lack of adequate performance measurement, with only 29 per cent of those surveyed measuring against an independent yardstick – necessary because treasury performance is complex to review.

The survey said 68 per cent of companies had used options, but only 5 per cent admitted to writing, or selling, options – potentially a more risky strategy. About 37 per cent said they only wrote options when they were simultaneously buying others.

The survey found 7 per cent of companies using the corporate treasury as a "profit centre". All the companies surveyed took steps to reduced losses on foreign exchange movements by hedging their foreign exchange exposures to some extent. Fifteen per cent hedged all their foreign exchange exposure.

Ten per cent of companies allowed their treasuries to trade, and did not restrict their activities to hedging.

Mr Derek Ross, partner in charge of treasury management at Touche Ross, said that the difference between trading and selective hedging of foreign exchange was narrow.

Only a fifth of the companies recorded dealing or settlement conversations, although 71 per cent provided a regular report to their boards on transactions.

Elsevier still to decide on sale of stake in Pearson

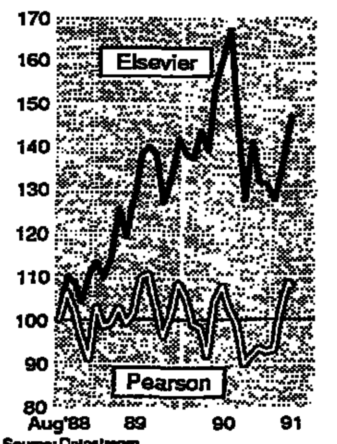
ELSEVIER, the acquisitive Dutch publishing group, will decide *later this* week whether to sell its 8.9 per cent stake in Pearson, the UK publishing, banking and industrial group, write Ronald van de Krol and Raymond Snoddy.

Mr Erik Ekker, secretary to Elsevier's management board, said yesterday that a final decision was likely to be taken before the company's annual press conference on Monday. Pearson also announces its interim results on Monday.

Pearson, publishers of the Financial Times, sold its 22.25 per cent stake in Elsevier last month in a deal worth more than £300m ($519m). Speculation that Elsevier would in turn sell its Pearson stake has intensified following the Dutch company's agreement last week to buy Pergamon Press of the UK for £440m.

Mr Mari Pijnenborg, a director of Elsevier Science Publishers, an important group operating company, said the decision had already been taken to sell the Pearson shares, adding that the timing depended on market conditions.

Share prices rebased



Source: Datastream

Mr Pierre Vinken, the Elsevier chairman, has however been expressing a more cautious view on the immediate prospects for a sale. It is clear, however, that Elsevier would consider selling if the right opportunity arose.

Elsevier would show a slight loss on the Pearson investment if it sold now. The shares in Pearson are worth around £180m ($315m), or Fl 603m. Elsevier acquired its shares for the equivalent of Fl 625m in 1988-89 as part of a share exchange with Pearson which was described as a prelude to a possible merger between the two.

The merger plans never materialised because of share price movements and the rise of the guilder against sterling, prompting Pearson to sell its stake last month.

Inchcape held back by strong pound

By Andrew Bolger in London

INCHCAPE, the international services and marketing group, blamed the strong pound for flat pre-tax profits last year of £174m ($100.5m), compared with £173.7m.

Sir George Turnbull, chairman and chief executive, said: "Our profits before tax increased 5 per cent at constant exchange rates, but the strength of sterling reduced these profits by £8m."

But Sir George added: "Despite the economic slowdown in many parts of the world, our global strength, combined with our well-established presence in local markets, has enabled us to achieve growth in nearly all our businesses in 1990."

Turnover increased by 11.9 per cent to £3.29bn (£2.94bn) in the year to December 31. Earnings per share dipped slightly to 26.1p (27.6p) but a final dividend payment of 7p gives a total for the year of 11.8p (11p).

Sir George said the group's balance sheet was strong, with gearing of only 20 per cent. If interest rates fell as expected, he would be prepared to increase borrowings if the right acquisition opportunities came along.

Motors, which contributed almost half of group operating profits, saw turnover increase from £1.87bn to £2.07bn and sales of vehicles rise by 10 per cent to 220,000 vehicles. The growth in operating profit to £105.9m (£104.4m) was restricted by difficult trading conditions in the UK, where Mann Egerton suffered in a contracting market.

Sir George said the Toyota (GB) franchise had increased both sales and operating profits in the UK. In marketing and distribution, Inchcape said its strong position in Hong Kong and Japan made a significant contribution towards the improvement in operating profit from £39.9m to £49m.

Lex, Page 18

Schneider renews offer of Square D talks

By George Graham in Paris

SCHNEIDER, the French electrical equipment group which is bidding $1.9bn to take over Square D, its US counterpart, *hopes to be able to bring* its target's board to the negotiating table in the next two weeks after extending its offer to April 12.

Schneider claimed the 68.9 per cent of Square D's shares tendered to its $78-a-share offer by March 29 represented a success, although it fell short of the 85 per cent it needed to *claim outright victory* under the law of Delaware, where Square D is incorporated.

"In the light of this most explicit message from the shareholders I would like to renew our invitation to Square to meet us. We are ready to discuss all aspects of our offer," said Mr Didier Pineau-Valenciennes, Schneider's *chairman.*

Analysts expect Square D's directors, facing the risk of shareholder lawsuits or of being ousted in a proxy fight, to agree to talks, unless they can present a rival bid.

Swiss court grants Omni request for protection

By William Dullforce in Geneva

OMNI HOLDING, the troubled parent company of Mr Werner Rey, the Swiss financier, has debts of SFr1.7bn ($1.19bn), Mr Paul Kaelin, civil court judge in Berne, said *yesterday* when approving its request for protection from its creditors.

Omni has four months under the eye of an administrator, the Basle office of Coopers & Lybrand, in which to sell assets and satisfy its creditors. The period can be extended to six months if necessary.

The judge said his decision to accord protection was more in the interests of creditors than an immediate declaration of bankruptcy. Creditors could hope for complete repayment.

Mr Rey resigned as chairman on March 6 when Omni sought court protection after it *had failed in initial attempts to sell its interest in Adia and to persuade* Mr Tiny Rowland's Lonrho group into partnership. Mr Rey is understood to retain a controlling stake in Omni.

An analyst yesterday estimated it would be difficult, *but not impossible, for Omni* to meet the bulk of its bank debts, although shareholders were likely to suffer losses.

The remaining assets include a 30 per cent stake in Sulzer, the big Swiss engineering group and controlling interests in the Jean Frey printing and publishing group, in Ateliers de Construction Mecaniques de Vevey and in Harpener AG, the German holding company for a number of property, power and service subsidiaries.

Omni has appointed a local investment bank *to arrange the sale of Jean Frey and said* it had received offers for Harpener. Sulzer said last month it was talking to possible buyers of Omni's stake in it.

It is assumed the judge's estimate of Omni's debt was made after last month's sale of its 53 per cent stake in Adia, *the big Swiss employment and* services group. Asko, Deutsche Kaufhaus, the German retailing group, and Mr Klaus Jacobs, Swiss businessman, paid SFr840m but Omni's net gain was very much lower.

Cariplo prepares for marriage

Haig Simonian on an Italian savings bank's plans for a takeover

IT would be hard for Cariplo, the Italian financial institution which claims to be the world's biggest savings bank, with total assets of L120,000bn ($94.5bn), not to make money. Buoyed by the lively economy at its Milan base, net earnings for 1990, released last week, rose 6.5 per cent to L278bn in 1989.

Cariplo's status as a money-maker is easy to explain. With about 90 per cent of its 471 branches in Lombardy, Italy's richest region, it has benefited from the high national savings and fat margins between lending and deposit taking, which make Italian banking so attractive to foreign and domestic institutions alike. Cariplo has also avoided many of the pitfalls afflicting more ambitious rivals. It has shied away from risky Third World lending and expensive foreign expansion.

Despite its caution, Cariplo's record has not been unblemished and Mr Roberto Mazzotta, *its chairman, has found* himself in the crossfire. A former deputy secretary of the Christian Democratic party, his election to the chairmanship in 1986 proved controversial. Senior bankers criticised the decision to appoint a figure who had no direct experience *in banking.*

Mr Mazzotta is largely identified with both Cariplo's latest ventures, its *failed* attempt to break into the Spanish market via an alliance with Banco de Santander and its plan to take over Rome-based Istituto Mobiliare Italiano (IMI).

He was the driving force behind the 1988 decision to swap a 30 per cent stake in Cariplo's Istituto Bancario Italiano (IBI) subsidiary for a similar-sized holding in Banco de Santander's Banca Jover offshoot, along with shares in the parent company. In late February, the alliance, which never really took off, was finally buried. After turning down the Spanish bank's offer to sell it the outstanding stake in Banca Jover for around L500bn, Cariplo was back at square one.

Mr Mazzotta hotly defends the Spanish venture as "a positive experience". But paying a total of L600bn to L700bn, including its original investment in Jover, would have been "out of dimension with what we're getting", he said. Despite brave talk about an amicable agreement with Banco de Santander and of *continued interest in collaborative deals*, Cariplo's reputation has been tarnished by the collapse of its Spanish plans. That may explain Mr Mazzotta's defensive attitude when it comes to discussing plans to take control of IMI. Linking the two companies, which are *among Italy's most strongly* capitalised financial institutions, with a joint capital of around *L17,000bn, certainly* has attractions. IMI's strength in investment banking and personal finance would complement Cariplo's retail banking network.

Roberto Mazzotta: found himself in the crossfire

Despite mixed political signals, *Mr Mazzotta* has pushed ahead. Claiming full support from IMI's management, which may see a marriage with Cariplo as the lesser of a number of evils, not least a merger with state-owned Banca Nazionale del Lavoro, he brushes aside doubts about the transaction.

"Cariplo and IMI could constitute a bank which is very efficient and very complete", he said. Presenting the merger almost as a foregone conclusion, he asserts the informal talks which have taken place between senior executives at the two institutions have revealed considerable advantages. Precisely what those are, or how much they might be worth on the bottom line, is not revealed.

"We will go ahead until they tell us we can't go any further", he said. The "they" in question are the Bank of Italy, which has to approve the merger, and the treasury, which is IMI's main shareholder. Shareholder approval is less tricky for Cariplo, which is owned by its own foundation and managed by a group of 19 directors appointed by both local and national government.

The *Socialists* have argued against the match because it would do nothing to strengthen the country's public-sector banks. That is the aim of the Amato Law, which offers fiscal advantages to banks deciding to merge.

Whatever the outcome of the talks, investors may get the chance to show their feelings towards Cariplo's plans. For any link with IMI under the auspices of the Amato Law would come as part of a partial flotation of Cariplo's shares on the stock exchange. With an August 1992 deadline, the time will come when Cariplo's impressive profitability will have to be weighed up against less imposing aspects of its performance.

PTH announces Fl 9.3m loss and omits dividend

PIRELLI Tyre Holding (PTH) has provided further evidence of the problems facing the world's tyre industry with a loss of Fl 9.3m ($4.8m) last year against profits of Fl 206m in 1989, writes Haig Simonian.

Despite net earnings of Fl 1.6m before minority interests, the company, which is currently involved in a takeover battle for Continental of Germany, is omitting its dividend. It further warned: "The continuing difficulties of the market situation do not allow forecasts of significant *improvement in results in* 1991."

Sales last year fell by 7 per cent to Fl 6.2bn from Fl 6.67bn in 1989 as a result of currency factors, intense competition and lower sales in North America. Despite maintaining its market share last year, PTH, which was floated on the Amsterdam stock exchange in July 1989, reported a further clampdown on costs.

● Gemina, the investment and financial services group controlled by Fiat, has announced a one for six rights issue to raise L306bn ($242.7m) for future investment plans.

Much of the money raised is expected to help fund the planned international expansion of RCS Editori, the publishing concern which is 78 per *cent owned by Gemina.* Reporting results for 1990, Gemina said net earnings had risen to L142.5bn from L136.2bn in 1989.

● Snia BPD, the textiles, chemicals and munitions subsidiary of Italy's Fiat group, reported a sharp fall in net profits to L43.3m in 1990 from L68.2m in 1989.

The decrease, which comes despite a 1.1 per cent rise in sales to L2,483bn from L2,455bn in 1989, means net earnings have virtually halved since 1988. The company blamed the decline on the high value of the lira and growing international competition, along with decreasing economic growth.

The dividend remains unchanged at L65 for ordinary shares.

● Mandelli, the Italian engineering group which specialises in factory automation equipment, raised net earnings at parent company level by 13 per cent to L7bn from L6.2bn in 1989.

The company, which floated its shares on the Milan stock market in 1989, is raising its dividend to L230 a share from L200. Sales at parent company level rose by 19 per cent to L37bn.

● Rinascente and Standa, Italy's two biggest department store chains, have reported contrasting results for 1990.

Rinascente, which is controlled by Fiat, raised net profits to L96.4bn last year from L89.6bn in 1989. Sales jumped by a 13.2 per cent to L4,182bn, excluding value added tax.

Net profits at Standa, which is controlled by Mr Silvio Berlusconi's Fininvest group, fell by 14 per cent to L28.1bn from L32.5bn in 1989, despite a 3.8 per cent increase in sales to L3,754bn from L3,617bn in 1989.

Avon proxy fight averted

By Karen Zagor in New York

THE LOOMING proxy battle between Avon Products, the world's biggest maker of cosmetics and toiletries, and Chartwell Associates, a partnership which includes the Getty and Fisher families, was settled yesterday without any major blows being dealt.

Avon has been under consistent pressure from Chartwell for about 18 months. Last year, the company deflected a proxy fight by agreeing to put two Chartwell representatives on its board and establishing a special committee to explore ways to increase shareholder value.

Avon and Chartwell have signed a 10-year standstill agreement and have agreed to drop legal claims. Avon will pay Chartwell $7m to cover legal expenses.

Two of Chartwell's directors, Mr Anthony Fisher and Mr Marc Leland, will remain on Avon's board. Chartwell, which held nearly 20 per cent of Avon's voting shares before March 14, when it sold 10m of its 12.6m stake, had said it would wage another proxy fight at this year's annual meeting in May.

Under the new agreement, Chartwell will not increase its holdings beyond 4.9 per cent of Avon's stock, it will not propose any extraordinary transaction, nor will it participate in any proxy contest or try to take control of the company or influence Avon's management.

Chartwell has also agreed to abstain from hostile action of any sort against Avon.

Ms Diana Temple, an analyst at Salomon Brothers, said Avon would now be able to concentrate on its core business. She said Avon has made a good job of cutting costs, partly because of the Chartwell pressure, and the company's cash-flow position was strong.

US airline in filing under Chapter 11

METRO AIRLINES, a small US regional airline, announced yesterday that it had filed for protection from its creditors under Chapter 11 of the US bankruptcy code, writes Nikki Tait in New York.

It is the fourth US airline to take this action in almost as many months – the forerunners being the larger Continental and Pan Am carriers, and Midway Airlines, which sought Chapter 11 protection last week. Metro stressed that it will continue to operate normal schedules.

More woe at First Executive

By Nikki Tait in New York

THE TALE of woe at First Executive, the California-based insurance company which invested heavily in junk bonds during the 1980s, continued when the company revealed a net loss of $458.9m in the fourth quarter of 1990, and one for the year of $366m.

First Executive's auditing firm, Price Waterhouse, has said it believes "that there is substantial doubt about the company's ability to continue as a going concern", and has not expressed an opinion on the financial statements. As a result, the agent for First Executive's senior debtholders has claimed that the borrower breached the terms of the loan facility.

First Executive said it disagreed and that the agent had subsequently agreed to seek a waiver of any default from the senior debtholders.

According to First Executive, Price Waterhouse made its "going concern" comment on the basis of this possible debt covenant violation, and on possible intervention in First Executive's affairs by the Californian state insurance regulators.

First Executive also disclosed that the authorities were withholding an interest payment due from Executive Life, one of its main operating units, to the parent company.

According to Mr Fred Carr, the company's chief executive, there was "an extremely high level of defaults" in the group's portfolio holdings during the fourth quarter of 1990 and the first quarter of 1991.

But he added that the recent revival in the junk bond market had been "encouraging". He also said that "preliminary discussions" were under way with "a major European financial institution" regarding a possible restructuring of the company, although no terms had been agreed.

Brazil airline slips into operating loss

VARIG, the Brazilian airline, suffered a net loss in 1990 of Cr23.74bn ($103m at the official rate, or $90m at free market rates), writes Victoria Griffiths in Sao Paolo. It blamed hyperinflation, recession, the Gulf war and an overvalued cruzeiro.

A rise in real salaries and the cost of a new flight to Chicago led to an operating loss of Cr40.9bn, against a profit of Cr13.3bn. Aircraft sales and lower taxes softened the net loss. Receipts from ticket sales fell 7.2 per cent.

Account changes cut fat from software companies' figures

By Louise Kehoe in San Francisco

PROPOSED new accounting regulations for the US software industry are likely to produce a spate of moves similar to that undertaken by Oracle Systems, which has announced it will restate prior earnings and take big charges.

Software industry officials say Oracle is one of several leading software companies that have used aggressive accounting practices and which may be forced to review past earnings to comply with more conservative rules on the recognition of revenues.

Software companies that sell complex programs to users of mini and mainframe computers frequently record sales when a contract is signed.

The installation of a complex program can take months and involve "support and service" business for the software developer. The terms of the original contract, including payment schedules, are frequently changed over the life of such contracts.

The American Institute of Certified Public Accountants proposed a new set of accounting standards for the software industry in January.

It recommended that software companies record revenues only after programs have been delivered to customers and payments begin. The accounting group proposes that service and support revenues should be pro-rated during the period of the contract.

Implementing the rules would deflate the high revenue growth recorded by several software companies in the past. Oracle, for example, recorded 66 per cent revenue growth for 1990, making it one of the fastest growing companies in the industry.

Informix, one of Oracle's competitors in the market for database management software, changed its accounting procedures in January, restating its 1990 earnings and taking a $13m write-off. Other software companies are expected to follow suit.

Industry experts note that software companies with high amounts of "accounts receivable" on their balance sheets are particularly vulnerable.

In some cases these "receivables" may reflect aggressive revenue recognition – revenues that have been recorded despite contracts having subsequently been modified.

One such company is Computer Associates, the second largest computer software supplier, whose receivables were 45 per cent of sales for 1990.

Software companies that supply personal computer programs are less likely to be affected by the accounting changes.

Wheeling-Pittsburgh sees break-even in first quarter

WHEELING-PITTSBURGH, the US steel maker which emerged from Chapter 11 bankruptcy proceedings in December, expects to break even in the first quarter of 1991 in spite of lower prices and shipments in the three months, writes Karen Zagor.

In the first quarter of 1990, Wheeling-Pittsburgh had net income of $35.6m, or $6.48 a share, including a $6.9m gain from tax losses carried forward.

Excluding extraordinary items, Wheeling-Pittsburgh turned in fourth-quarter income of $24m on shipments of 548,384 tonnes, against income of $18.4m on shipments of 522,629 tonnes.

For 1990, underlying earnings were $80m on shipments of 2.2m tonnes, down from $136.5m on 2.3m tonnes.

INTERNATIONAL COMPANIES AND FINANCE

CRA takes the gamblers' route to become King Coal

Bruce Jacques examines the unorthodox strategy adopted by the resources company in its tilt at Cail

NOT many companies invest the best part of A$300m (US$232m) to expand a core business, immediately lose money on the new purchase, and then go back barely 18 months later for an even bigger acquisition in *the same industry*.

Yet this is exactly what CRA has done with its A$437m tilt at Coal and Allied Industries (Cail), Australia's fourth largest coal shipper.

Behind this apparent investment unorthodoxy is a strategy which could allow CRA, a 49 per cent subsidiary of RTZ of the UK, to leapfrog its arch resources rival, BHP, and become Australia's biggest coal exporter by the middle of the decade.

CRA's thrust for coal supremacy began late in 1989 when the company bought most of the Australian coal assets of British Petroleum (BP). So far the acquisition has proved a disaster.

Although full details are not yet available, CRA admitted to losses for 1990 in both the offshoots now containing the former BP assets. But CRA now seems willing to take the gamblers' route, more than doubling its bets in the hope of eventually winning the pot.

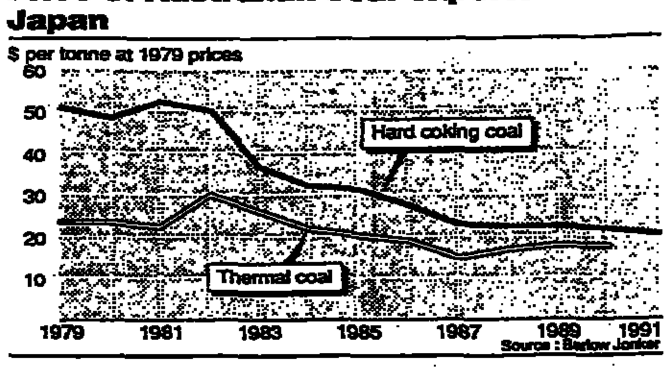
CRA's bid for Cail is pitched at A$7.85 a share, and it has been overbid on the market with Cail shares quoted above A$8. That is probably because the Cail bid's investment arithmetic is vastly superior to that of the BP deal.

Cail, at least, is profitable, with net earnings exceeding A$17m in the December half. That suggests an annualised price earnings multiple of 12.5, a hefty 40 per cent premium over the Australian mining market average, but perhaps justifiable given Cail's strong industry position.

On available production figures, CRA paid close to A$70 per annual tonne of coal production for the BP operations. But the Cail bid is pitched closer to A$40 per tonne on the same basis, and Cail has potential to lift its output from the current 11m to better than 14m tonnes in the next few years at marginal cost.

CRA's price per tonne compares favourably with most recent coal transactions in the region. Research from Sydney-based coal consultant, Barlow Jonker, suggests that annual cost per tonne of a selection of recent coal acquisitions range between A$40 and A$78. Total annual costs, including capital, for two greenfields mines were calculated at A$110 to A$120 per tonne.

Price of Australian coal exports to Japan



While these numbers suggest an acquisition at the offer price would be good value for CRA, the takeover is also about quality, production range and strategic spread of assets, factors which appeared largely absent in the BP purchase.

Cail dominates New South Wales's Hunter Valley region, which produces more than a third of the nation's coal. Cail is not just the region's biggest coal producer. Its range of coal types is among the most diversified in the country, and it holds equity control of Australia's biggest coal loading complex at the port of Newcastle.

But perhaps even more important is the potential international coal marketing power available to CRA if the bid succeeds. Although CRA will not say so publicly for strategic reasons, one of its long-term aims is to turn around Australia's history as a coal price-taker rather than maker.

Despite its position as the world's number one coal exporter, shipping more than 100m tonnes last year, Australia's marketing effort has been fragmented, and big customers, especially in Japan, have been able to present a united negotiating front, picking *off* individual Australian sellers.

With keen price competition, mainly from US, Canadian and South African producers, the result has been a real fall of nearly 60 per cent in Australian export coking coal prices since 1979, and a 20 per cent fall in steaming coal prices.

Predictably, that magnitude *of price* decline has made the Australian coal industry largely unprofitable, except for the lowest cost producers. This has been the catalyst for a surge in corporate rationalisation in which CRA is merely the latest in a long line of predators.

While Cail has remained *profitable* for most of the past decade, the best-performing coal group in the country has undoubtedly been BHP's Utah operation.

Utah's vast open-cut coking coal mines in Queensland's Bowen Basin are often described as the best in the world. The main reason is their *low cost*, but another important ingredient in Utah's success is strong market position.

With annual shipments running at around 36m tonnes, Utah accounts for around 70 per cent of the country's coking coal exports and is the natural leader of Australian contract negotiations. A successful takeover of Cail would allow CRA to rival Utah's tonnage dominance, but with a much broader range of steaming and weak coking coals.

Following the BP acquisition, CRA's production is running at around 21m tonnes annually, with 5m tonnes sold domestically. The addition of a possible 14m tonnes from Cail, plus a contribution from CRA's new steaming coal operation in Indonesia – Kaltim Prima – could see the company's annual coal output topping 40m tonnes by the middle of the decade.

Since BHP is also developing new steaming coal *prospects* in Indonesia, it is possible to see the two companies controlling more than 70 per cent of total coal exported by Australian-based companies during the 1990s.

As the two also control of about 80 per cent of Australia's iron ore exports, they would emerge as the dominant force *in export* marketing of Australian basic feedstock for Asian industry.

Murdoch plans sale before June

By Stephen Fidler and Raymond Snoddy

MR RUPERT MURDOCH, chief executive of News Corporation, says he hopes to announce "a significant asset sale in Australia" within the next 60 days.

The most likely disposal is of News Corp's Australian printing operations, although the company's 50 per cent stake in Ansett Airlines was included on a list given to bankers of possible disposals last year during the debt rescheduling operation.

Negotiations are also continuing on the possible sale of News Corp's US magazines, with the exception of TV Guide.

Reed International, the UK *publishing* group, *has been tipped as a potential* purchaser in the American press.

In the wake of the successful debt rescheduling, Mr Murdoch is committed to becoming less dependent on banks for finance and building up long-term debt. "As the markets improve we'll be looking to reduce our dependence on banks and taking in a degree of public debt," Mr Murdoch said recently.

News Corp is trying to cut its costs by at least 10 per cent in the next 12 months, according to Mr Gus Fischer, the company's chief operating officer.

He has said that "we should be able . . . to reduce costs by 10 per cent at least within 12 *months or less.*"

The cost reductions would come from all sections of the company through staff cuts, consolidation of operations, decreased capital expenditure – "everything". But the 10 per cent cut would be an average, as in some areas costs would hardly be cut and in others they would be sliced by more than 20 per cent.

Mr Fischer, who until January was managing director of News International, said that cuts would be implemented in a thoughtful and systematic way.

"If you talk 10 per cent, you can't do it without cutting staff, and we have close to 40,000 people, so you can figure *out what it is.*"

Compass Air in A$1.8m loss due to start-up costs

COMPASS Airlines, the only one to enter the Australian domestic market since deregulation last October, lost A$1.82m (US$1.4m) in its first six months and failed to pay an interim dividend, writes Kevin Brown.

The result was a surprise in spite of airline problems caused by the recession, but Compass pointed out that the loss included start-up costs and only one month's revenue.

However, Compass said it might not achieve its prospectus forecast of year profits of A$18.8m and a year dividend of 10 cents. Compass raised A$65m when it was floated.

Mr Bryan Grey, chairman, said Compass had been hit by significant start-up problems, but the airline was now breaking even.

Bank Hapoalim bucks trend with 46% net rise

By Hugh Carnegy in Tel Aviv

BANK Hapoalim, Israel's biggest bank by asset value, yesterday reported a 46 per cent increase in net profits in *1990 to Shk155m ($76m) from* Shk106m in 1989, bucking a trend of reduced profitability suffered last year by its rivals.

The improvement came in *the face of a sluggish economic* picture, depressing demand for credit, squeezing margins and restraining the important export sector. Revenues from financing activities declined by 18 per cent to Shk1.65bn.

But a dramatic reduction in provisions for bad debts – which have plagued Bank Hapoalim, along with all Israeli banks, for the past three years – improved non-financing income, and a sharp rise in contributions from non-banking affiliates boosted the bottom line.

Provisions, which reached a peak of Shk1.25bn in 1988 when Bank Hapoalim's exposure to the hugely indebted Kibbutz collective farm movement was accounted, were down 40 per cent in 1990 to Shk564m from Shk949m. This year's figure reflected continuing problems in agriculture.

The inflation-adjusted results left Bank Hapoalim with a return on equity of 6.2 per cent, up from 4.5 per cent last year and markedly better than its three chief rivals, Bank Leumi, Israeli Discount Bank and Bank Mizrahi. All these suffered slumps in profits last year – by nearly 60 per cent in the case of Bank Leumi, the second biggest.

Public 'kept in dark on Air NZ'

By Kevin Brown in Sydney

THE New Zealand public was not fully informed about the sale of shares in Air New Zealand by the former Labour government, said Mr Jim Bolger, the National Party prime minister, yesterday.

Mr Bolger said the gradual emergence of details of confidential share support agreements between the four companies which bought the airline was "quite unsatisfactory".

Air New Zealand was sold in 1989 to a consortium led by Brierley Investments, the New Zealand investment group, which purchased an initial *stake of 65 per cent and later* sold 30 per cent to the public.

Qantas, the government-owned Australian airline, bought 19.9 per cent, and American Airlines and Japan Air Lines 7.5 per cent each. Qantas is currently negotiating to acquire American Airlines' holding.

Brierley and Qantas have recently disclosed details of secret agreements under which Qantas underwrote the purchase of shares by the other consortium members and undertook to top up Air New Zealand dividend payments to Brierley.

Qantas has refused to comment on its motives for the deal, but is understood to have been keen to prevent other international airlines, especially British Airways, from *gaining a foothold in the South* Pacific.

Mr Bolger said a special "Kiwi" share held by the government would protect Air New Zealand from any attempt by overseas companies to take voting control.

But he made clear that the government did not know the details of the various share support and dividend agreements between the consortium members.

"The whole question of what underlying agreements were part and parcel of the sale of Air New Zealand is only just emerging," he said. "It appears the former Labour government entered into the sale of a state asset with some strange attachments."

Mr Bolger said his government had not been in contact with the Australian govern*ment over the Air New Zealand* revelations.

However, Mr Rob Storey, the New Zealand transport minister, is in Australia, and is expected to raise the issue with Qantas and government officials.

Bank Mizrahi falls on asset revaluation

By Hugh Carnegy

BANK Mizrahi, Israel's fourth *largest bank which is up for* sale, suffered a severe cut in net profits in 1990, down 42 per cent to Shk6.1m ($3m) from Shk10.5m in 1989.

The fall was largely due to an extraordinary loss of Shk23.2m incurred from a revaluation of several bank-owned buildings.

The bank, controlled by the *Mizrahi world Zionist organisation*, is majority-owned by the *Israeli government, which has* opened a tender process to sell up to 50 per cent. Under an agreement with the Mizrahi organisation, the current preferential stock system will then be dropped in favour of one share, one vote. Four investor groups are involved in the bidding.

The inflation-adjusted *results showed net operating* profits unchanged at Shk29.3m. *Provisions for bad debts, a* drag on all Israeli banks in recent years, were down 25 per cent from 1989 but still totalled Shk141.5m, largely due to bad debts in the agricultural sector.

Total assets at the year's end were Shk16.4bn, down slightly on the year before. Return on equity dropped to 1.1 per cent from 1.9 per cent in 1989.

INTERNATIONAL CAPITAL MARKETS

Securities companies take 80% of Japanese auction

By **Sara Webb** in London and **Patrick Harverson** in New York

FOUR securities companies dominated yesterday's Y800bn auction of 10-year Japanese government bonds, where the average price of bids was slightly higher than expected.

Salomon Brothers Asia, Daiwa Securities, Nikko Securities and Nomura Securities bought between them over 80 per cent of the new number 140 bond.

The 140 bond has a coupon of 6.6 per cent. Traders said bidding was not particularly aggressive, around the average price of 100.39. They said there was not much retail interest, adding that the securities houses who bought the issue may be attracted by lucrative opportunities to arbitrage with the futures market.

However, the fact that the electric power sector will be issuing domestic bonds this week, too, meant there was some concern about an oversupply of bonds.

The yield on the number 129 benchmark JGB closed at 6.665 per cent, compared with the Monday close of 6.675 per cent. In London, JGBs traded at around the 6.67 per cent level, with little sign of any strong direction either way.

Traders said there were rumours in the market that Kuwait was selling some of its JGBs, but added that there was no confirmation of the rumour nor evidence of heavy selling in the market.

Consumer price figures released on Friday gave little hope that inflation is easing and led investors to believe that the Ministry of Finance will delay any cuts in the Official Discount Rate for a while. However, short term rates may come down if other banks decide to follow the example of Mitsubishi Bank which announced that it is lowering its short-term prime rate from 8¼ per cent to 7⅞ per cent next week.

■ The assassination of Mr Detlev Rohwedder, head of the Bonn government agency in charge of privatising East German industry, served to focus attention yet again on the political and economic difficulties faced by Germany since reunification.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-27	-02/32	10.58	10.66	10.74
		9.000	03/00	94-03	-02/32	10.01	10.14	10.16
		9.000	10/08	93-12	-01/32	9.80	9.91	9.88
US TREASURY *		7.750	02/01	97-30	+04/32	8.05	8.16	8.09
		7.875	02/21	95-29	+06/32	8.24	8.35	8.26
JAPAN	No 119	4.800	6/99	88.4040	-0.110	7.08	7.04	7.11
	No 129	6.400	03/00	98.4019	-0.332	6.68	6.62	6.73
GERMANY		9.000	01/01	103.3600	+0.110	8.47	8.53	8.36
FRANCE	BTAN	9.000	02/96	99.3231	+0.075	9.16	9.26	9.22
	OAT	9.500	01/01	102.9200	+0.200	9.03	9.13	9.05
CANADA *		9.750	06/01	101.5500	+0.025	9.50	9.62	9.62
NETHERLANDS		8.600	03/01	98.7100	+0.120	8.70	8.78	8.65
AUSTRALIA		13.000	07/00	109.0974	-0.003	11.38	11.38	11.62
BELGIUM		10.000	08/00	103.9500	+0.100	9.33	9.16	9.05

London closing. *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

The latest 9 per cent 10-year federal bond was fixed at 103.36 after 103.06 on Thursday, the last trading day before the Easter break. The bond yielded 8.49 per cent compared with 8.53 per cent on Thursday.

There has been some speculation in the market that the Bundesbank may decide to raise interest rates at its council meeting this Thursday following the slide in the D-Mark against the dollar last week. The D-Mark strengthened slightly during yesterday.

The announcement that there will not be a new issue of Federal Bunds this month was seen as a good sign on the grounds that supply of bunds will not be increased although it is not clear whether the statement also included Unity Fund bunds.

■ Poor opinion polls for the UK government led to the feeling in the UK government bond market that a general election could now be deferred until after June, thus pushing the base rate issue into the background.

Trading was weak and the volume in the futures market was very thin. The benchmark 11¾ per cent gilt which matures in 2003/07 closed $\frac{1}{16}$ of a point lower at 110$\frac{9}{16}$ to yield 10.151 per cent.

Overseas demand for UK bonds concentrated mainly on Eurosterling issues rather than the UK gilt market. Foreign investors were attracted by the strength of sterling and the higher yields on eurosterling bonds.

Last week, the government's £200m tranche of 9½ per cent conversion bonds due in 2005 was exhausted. Attention will now focus on the government's gilt auction to be held on April 24.

■ With dealers and investors in New York unwilling to take positions in the bond market ahead of Friday's key employment data, US Treasury prices idled in a narrow range yesterday amid thin trading.

By late morning, the benchmark 30-year government bond was up $\frac{1}{16}$ at 95$\frac{5}{16}$, to yield 8.236 per cent. The two-year note was also slightly firmer, up $\frac{1}{32}$ at 100¼, yielding 6.971 per cent.

The market remains hidebound until the release of the March employment figures, which analysts hope will provide fresh evidence of where the economy is in the current recessionary cycle.

The fact that the Federal Reserve cut interest rates immediately after bad January and February job statistics has not gone unnoticed, and many are betting that the Fed will ease again if Friday's data shows another big rise in the number out of work.

The current range of analysts' forecasts is for a decline in non-farm payrolls of between 200,000 and 250,000, and a rise in the civilian unemployment rate from 6.5 per cent to 6.7 per cent.

Anything worse than that, and interest rates could come down again say analysts, although recent prices data have cast doubts over the Fed's willingness to ease policy in a what could be a dangerously inflationary climate.

Shanghai gets set for foreign investment

CHINA IS finalising plans to allow foreign investors to buy and sell bonds and shares on Shanghai's fledgling stock market for the first time in over 40 years. This is part of a campaign to attract foreign investment for the city's large-scale infrastructure and other development projects.

A special category of foreign-owned B shares is likely to be created in approved companies on the exchange, which was opened last December. The shares would be denominated in China's renminbi currency but traded through Shanghai brokers in US dollars, according to draft proposals which are likely to be issued later this year.

John Elliott looks at China's hesitant experiments with capital markets

A joint venture involving a foreign company has also applied for the first time to be quoted on the exchange. It is Shanghai United Textile, which was set up 10 years ago by Lien Hu Textile of Hong Kong and local interests as the city's first joint venture.

The stock exchange trading is dominated by 25 bonds issued by the government, financial institutions and companies. There are only eight quoted company shares with a total face value of Yn60m, most dating from the mid-1980s. There are plans for perhaps a further 10 or more to be added this year, possibly including the first foreign joint venture.

The foreign investment plans are being drawn up by the Shanghai exchange which is spearheading China's hesitant experimenting with a capital market. It has absorbed local bond and share trading which had been taking place since the mid-1980s across banking counters and on kerbsides.

There is resistance from some government officials to the foreign involvement because of a fear that international speculators might disrupt Shanghai's small and inexperienced market. There are also operational problems because of China's strict foreign exchange controls.

Mr Wei Wen Yn, general manager of the exchange, said: "Foreign investment will help build up the stock market and investment, but the market is very young and it will become more complicated when it can be affected by international factors such as the Gulf crisis. But I am sure it will happen because one of the reasons for opening the exchange was to attract foreign investment."

Mr Wei says the B shares would carry the same voting rights as ordinary local shares, but he did not know whether the government would want to limit the percentage of a company's stock that could be sold abroad. Companies would have to accumulate sufficient foreign exchange to cover the cost of dividends, which would be repatriated abroad through brokers and the country's officially recognised "grey" currency swap shops.

Trading on the exchange has escalated from an average of Yn6m a day in December to Yn42m a day last month. This is small by international standards but significant for Shanghai. Mr Wei forecasts that it could total Yn 6bn this year, compared with Yn2.4bn last year and Yn800m in 1989.

Institutions such as insurance companies, labour unions and workers' retirement funds are estimated to account for about 40 per cent of the trading, the rest by individuals.

Lloyds Bank NZA loses A$61.9m

By **Kevin Brown** in Sydney

LLOYDS BANK NZA, a subsidiary of Lloyds Bank of the UK, announced a net loss of A$61.9m (US$47.98m) for 1990, continuing a series of poor results by the Australian offshoots of overseas banks.

Lloyds said the result was struck after making provisions of A$47m for bad and doubtful debts and writing down an income tax benefit of A$14.5m taken in 1989.

The result compared with a net loss of A$27.7m in 1989, after provisions against doubtful debts of A$54.5m. The bank said its total assets had increased from A$803m to A$859m, but were down from A$1.03bn in 1988, when it reported a profit of A$8.9m.

Mr David Clarke, chief executive, said the bank had significantly reduced costs in 1990 through restructuring operations, and he believed it was well placed to compete in the Australian market.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on April 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅝	102⅛	+⅛	7.93
ALBERTA PROVINCE 9 3/8 95	600	103½	103⅞	+⅛	8.40
AUSTRIA 8 1/2 00	400	98⅞	99⅛	+⅛	8.68
BANK OF TOKYO 8 3/8 96	100	98⅞	99¼	+⅛	8.66
BELGIUM 9 1/8 92	400	101¼	101½	-⅛	8.12
BFCE 7 3/4 97	150	97½	98		8.32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ALBERTA PROVINCE 10 92 CS	500	99¾	100⅛		10.02
BCE-INC 9 5/8 93 CS	300	99	99½	+⅛	10.17
BELL CANADA 10 5/8 99 CS	150	100⅛	101⅛		10.46
BRITISH COLUMBIA 9 1/4 93 CS	150	99	99½	+⅛	9.83
EIB 10 1/8 98 CS	130	100	100⅝	-⅛	10.12
FORD CREDIT CANADA 10 94 CS	100	98	98½	+⅛	10.70
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD BANK 5 03	150	84	85	-1	6.97
WORLD BANK 7 1/4 92	100	100¼	101	-¼	7.00

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94¼	94½		7.08
CANADA 4 5/8 92	80000	96¼	96⅝		7.32
CREDIT FONCIER 5 1/4 94	20000	93¾	94¼		7.21
DENMARK 7 95	40000	100⅛	100⅜		6.95
EIB 4 5/8 94	40000	93⅛	93⅜		7.08
GENERAL ELECTRIC 5 3/4 93	35000	96⅞	97⅛	+⅛	7.49
INTER AMER DEV 7 1/4 00	30000	102½	102¾		6.87
ITALY 5 3/4 92	150000	98⅜	98⅞		7.40
KANSAI ELEC PWR 4 5/8 94	60000	92⅝	93	-⅛	7.34
NIPPON TEL & TEL 5 7/8 96	50000	95½	95¾	-⅛	6.88
NORWAY 5 1/8 95	50000	93⅛	93⅝	-⅛	7.01
SWEDEN 5 5/8 95	20000	94¼	94⅞		7.12
WORLD BANK 6 3/4 00	50000	100	100¼		6.75

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ASDA-MFI 4 3/4 02 £	100	1.64	111¾	113	+49.17
BURTON GROUP 4 3/4 01 £	110	3.15	116½	118	
EASTMAN KODAK 6 3/8 01	300	50.67	98¼	99¼	+14.12
GOLD KALGOORLIE 7 1/2 00	65	1.0554	58	59	+49.31
GOODYEAR TIRE 6 7/8 03	150	80¼	66½	68	
GRACE (WR) 6 1/4 02	150	42⅛	86½	87½	+22.84
GRAND MET 6 1/4 02 £	100	6.58	120½	122	-1.05
HAWLEY 6 02 PREF	400	1.91	89	90½	+68.20
HILLSDOWN 4 1/2 02 £	150	4.16	107½	108½	+78.88
INTL PAPER 5 3/4 02	200	68⅛	97	98	+8.93
LAND SECS 6 3/4 02 £	84	6.72	90	91¼	+12.63
MITSUBISHI BK 1 3/4 02	300	2727.1	99	101	-1.12
OGDEN 6 02	85	39.077	71½	72¼	+39.70
PACIFIC DUNLOP 6 3/4 97	75	3.749	109	110	-2.53
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	81¼	82¼	+69.91
THORN EMI 5 3/4 04 £	103	7.45	109¾	111	+14.04

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Dealers find Canadian offering hard to digest

By Tracy Corrigan

DEMAND for fresh Eurobond offerings yesterday was rather muted as financial markets reopened sluggishly after the Easter break. Unperturbed by the absence of many retail investors, three borrowers launched offerings in the Canadian dollar sector.

Although retail investors are fairly bullish on the prospects for both the Canadian bond market and currency, and there is still some reinvestment flow generated by recent redemptions of old issues, dealers said that the C$350m supply of paper yesterday would take some time to digest.

A C$125m five-year issue for Dutch State Mines, launched by J. P. Morgan, was considered reasonably priced at a yield spread of 82 basis points above the Canadian government bond yield curve. General Electric's Canadian unit launched a C$125m seven-year issue at 30 basis point spread. Dealers said the pricing was on the aggressive side, but the name is well liked by retail investors. A C$100m issue for Mobil Australia fared the worst. It was considered tightly priced at 56 basis points above the five year Canadian government bond issue. All the deals were held at fixed reoffered levels overnight.

INTERNATIONAL BONDS

Sears, the US retailer, launched the first credit-card backed offering in the Eurodollar bond market this year. The $750m issue, due to be priced later today, is likely to test demand in the sector, which has improved substantially since its low point at the start of the year.

The spread on Sears' outstanding four-year deal has narrowed from 160 basis points above the comparable US Treasury in January to just below 100 basis points, as investor confidence in the ability of asset-backed securities to withstand recession returned.

Also in the dollar sector, Credit National, the French financial institution, launched a $200m three-year deal via Union Bank of Switzerland. Dealers said the issue was rather aggressively priced, but added that there is strong demand for short-dated dollar paper, especially from Swiss retail investors.

In the sterling bond market, Hydro-Quebec, the Canadian utility, launched a £100m 10-year deal via S. G. Warburg Securities.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokyo Dome Corp.(c)♦	350	4%	100.0	1995	2¼/1½	Yamaichi Int. Europe
Credit National(a)†	200	7¾%	100.975	1994	1⅜/1.30	UBS Phillips & Drew
Yokogawa Elec.(d)♦	150	4%	100.0	1995	2¼/1½	Daiwa Europe Ltd.
STERLING						
Hydro Quebec†	100	11¼	99.80	2001	¼/⅛%	SG Warburg Seurities
CANADIAN DOLLARS						
Gen.Elec.Capital Canada(a)†	125	10⅛%	101.375	1998	1⅞/1.575	Deutsche Bk.Capital Mkts
Dutch State Mines(a)†	125	10⅜%	101.375	1996	1⅞/1.675	J P Morgan Securities
Mobil Aust.Fin.Corp.(a)†	100	10⅛%	101.575	1996	1⅞/1.70	J P Morgan Securities
D-MARKS						
Finnish RE.Bk(b)‡†	150	(b)	100.0	1996	20/10bp	Westdeche. Landesbank
SWISS FRANCS						
Union Bk.of Finland(a)†	100	7%	102.0	1996	1⅜/1⅛	Union Bk.of Switzerland
FRENCH FRANCS						
Volvo Grp Fin.Europe(a)†	750	9¾%	101.05	1994	1⅞/1.15	BNP Capital Markets

★★Private placement. §Convertible. ♦With equity warrents. ‡Floating rate note. †Final terms. a) Non-callable. b) Paying interest at 25bp over six month Libor. Non-callable c) Final terms to be set on 5/4/91. d) Final terms to be set on 8/4/91.

Futures options lead trading in Chicago

By Barbara Durr in Chicago

OPTIONS on futures led an overall trading volume increase in the first quarter at the Chicago Mercantile Exchange.

Futures options, with especially high volumes in foreign currency and stock index contracts, rose 11 per cent in the first quarter, while overall volume at the CME increased 3 per cent.

The exchanges's agricultural products division recorded a 13.3 per cent volume drop during the first quarter. At the Chicago Board of Trade, trading volume overall fell by 15.1 per cent during the first quarter. The largest drops came in futures and options on US Treasury bonds and 10-year Treasury notes.

● OM, the Swedish derivatives exchange, plans to launch futures and options on a new German equity index, comprising 20 German stocks traded on the Frankfurt stock exchange and the International Stock Exchange's SEAQ system, writes Tracy Corrigan.

The German Equity Market Index (GEMx), designed by OM to suit the London market, is capital-weighted without adjustment for dividends.

So far, OM has appointed three market makers (International Clearing Services, and two Swedish companies, Servisen and United Securities) and three designated brokers (Barclays de Zoete Wedd, Morgan Stanley and Warburg).

Eurotop 100 contracts to be launched in Europe

By Tracy Corrigan

THREE European derivatives exchanges plan to launch contracts on the Eurotop 100 European stock index, stealing the limelight from the London International Financial Futures Exchange, whose Eurotrack index futures contract is due to be launched on June 26.

The European Options Exchange in Amsterdam, the Matif in Paris and Soffex in Zurich will simultaneously list futures and options on the Eurotop 100 index.

Liffe's D-Mark denominated futures contract on the International Stock Exchange's rival Eurotrack 100 index will be followed by a Eurotrack option, to be listed on the London Traded Options Market once the futures contract has been established.

The EOE, which launched the Eurotop 100 European stock index last year, will list options denominated in European Currency Units. The Matif, the French exchange, will trade futures on the Eurotop index, also in Ecu, while Soffex, the Swiss exchange, will offer both futures and options in Swiss francs.

The American Stock Exchange is awaiting permission from the Securities and Exchange Commission to trade dollar-denominated Eurotop index warrants.

OM in Stockholm and DTB in Frankfurt are also considering listing such options.

The Eurotop index is made up of 100 European stocks from the UK, Germany, France, Switzerland, Italy, the Netherlands, Spain, Sweden and Belgium, with weighting based on market capitalisation and gross national product. Eurotrack 100 is made up of non-UK European stocks, weighted by capitalisation.

● Mitsubishi Finance has launched 100,000 each of put and call warrants on the spread between the futures markets in French and German government bonds. The warrants are denominated in D-Marks, and provide a medium-term option on the difference between German and French government bond interest rates.

A broader tool found for hedging

Tracy Corrigan reports on the rising commodity swaps market

THE VOLATILITY in oil prices generated by the Gulf crisis has provided a fillip for the nascent commodity swaps market.

Last summer, before Iraq's invasion of Kuwait, the market was estimated to stand at about $10bn (outstanding notional amount), according to Ms Katherine MacWilliams, head of commodity swaps at First Chicago.

The subsequent spike in oil prices and the market's extreme volatility created a 300 per cent to 400 per cent surge in volume, she estimates, to around $40bn.

A commodity swap involves the exchange of fixed and floating cash flows pegged to the price of a commodity, just as an interest rate swap is the exchange of fixed and floating interest rate flows.

The commodity swaps market provides companies vulnerable to commodity price movements with a much broader range of tools to hedge their exposure than the futures market; for example, there is a swap market in products like jet fuel or residual fuel. The commodity swaps market also allows participants to extend the maturity of transactions.

The oil sector accounts for around 75 per cent of the market, perhaps more since the surge in activity during the Gulf crisis.

The rest of the market is largely made up of industrial metals like copper, aluminium, zinc and platinum. Agricultural commodities account for a very small percentage of the market. There is some potential for new sectors to evolve, for example, a natural gas market may develop in the US.

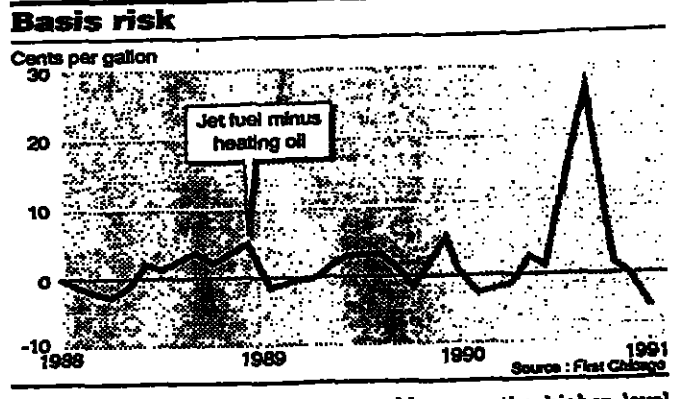
"Activity is concentrated where there are hedging instruments," says Ms MacWilliams. Dealers prefer a reasonably transparent underlying market, so that an index is not subject to manipulation.

Liquidity also reduces the level of basis risk, which occurs when a derivatives market moves out of line with its underlying market, so that hedging becomes ineffectual.

While hundreds of instruments for managing interest rate and currency exposure exist, in the oil market, for example, there are only a handful of products, including just two liquid futures contracts.

Consequently, substantially higher margins are charged by banks for commodity-linked products, reflecting, they would argue, the higher level of risk. There is no natural hedge for some products, for example jet fuel, so an imperfect proxy like crude oil has to be used.

Basis risk



Although, historically prices have moved closely in line, such positions expose banks to substantial basis risk. During the Middle East crisis, several market makers faced losses when the basis relationship between some products shifted dramatically.

Banks can "warehouse" swaps, as with financial swap transactions, so that swap counterparty flows can be offset against each other, so reducing exposure. As well as banks, some leading oil companies, like BP and Shell, are active as market makers.

The commodity swaps market dates back to 1986 in the US, when dealers in swaps and options applied their technology to commodities, but similar transactions had been arranged earlier. "There is a very fine line between what is new and what has been done for a long time (in the commodities market) under a different name," says Mr John Grobstein, director of commodity swaps at Banque Paribas.

Soon after the inception of the market, regulatory concerns surfaced in the US, as the transactions were deemed to be off-exchange future contracts by the Commodity Futures Trading Commission. In 1987, the business was pushed offshore, effectively shifting to Europe and Asia and, to a lesser degree, Canada. But the regulatory problems hindered the acceptance of the market by US companies.

In July 1989, the market opened up when the CFTC cleared the way for commodity swaps and options, provided certain criteria were met.

However, the market was still dominated by non-US users, particularly by European and Asian airlines and shipping companies, which used the techniques to fix their jet fuel costs.

The oil price shock caused by the Gulf crisis has caused some companies to reassess the costs of hedging commodities, as the price of hedging seems less excessive, relative to recent price swings.

"It is no longer acceptable for companies to attribute poor performance or results to commodity price movements," says Ms MacWilliams.

Deutsche Bank uses Euroclear

By Katharine Campbell in Frankfurt

DEUTSCHE Bank, Germany's leading financial institution, yesterday confirmed it had begun using Euroclear in Brussels instead of the domestic Frankfurt-based organisation for clearing some of its bond business.

Germany has always sought to make a competitive point out of its efficient securities clearing and settlement system. Therefore Deutsche's move, which took the domestic banking community by surprise, was yesterday being interpreted by some as a psychological blow to Frankfurt's efforts on the European stage.

The bank will clear foreign customers' D-Mark government bond business – including 10 and five-year fixed income paper as well as floating rate notes – through Euroclear, the international clearing institution, which offers a same-day settlement service.

The Deutscher Kassenverein in Frankfurt takes two days. Deutsche Bank said yesterday the decision was "purely commercial, reflecting the fact that using Euroclear has price advantages for both sides."

Mr Rolf Breuer, the board member in charge of securities operations at Deutsche, is also chairman of Euroclear.

Other banks, that could now be at a competitive disadvantage vis-à-vis Deutsche, said they had no immediate plans to follow suit, but they would be monitoring the situation.

● Italian government securities denominated in Italian lira can be settled through Euroclear, the international clearing and settlement agency, from Monday. Ecu-denominated Italian government bonds have previously been accepted through Euroclear.

Hungarian sale over-subscribed

SALOMON Brothers International yesterday said it had sold 14.3m shares in the Fotex Group, a private sector Hungarian company, to investors in Europe and the US, writes Stephen Fidler.

Salomon said the sale had been oversubscribed and increased from the originally envisaged 10m shares. About half each had been sold in Europe and the US.

It described the issue as the first private sector company from central and east Europe to raise funds in the international equity markets since before the war.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday April 2 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Thu Mar 28 Index No.	Wed Mar 27 Index No.	Tue Mar 26 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (187)	875.01	+0.7	11.34	5.51	10.81	9.61	869.21	874.36	864.18	848.93
2 Building Materials (24)	1136.62	+0.4	11.71	5.43	10.52	5.50	1132.32	1137.07	1125.35	1031.60
3 Contracting, Construction (31)	1400.43	+0.1	10.65	5.63	12.14	15.34	1399.24	1403.34	1391.18	1391.29
4 Electricals (10)	2460.60	+0.3	10.93	5.44	11.27	13.27	2453.35	2471.90	2446.01	2446.32
5 Electronics (26)	1827.52	+1.0	8.61	4.89	15.45	3.12	1809.66	1845.94	1824.05	1793.11
6 Engineering-Aerospace (8)	455.34	+2.5	15.31	5.47	7.88	8.86	444.21	448.56	442.77	429.16
7 Engineering-General (47)	461.14	+0.4	12.79	5.68	9.42	6.28	459.53	460.51	457.68	466.11
8 Metals and Metal Forming (8)	505.47	+3.1	18.05	6.83	6.84	0.59	490.37	490.69	480.71	477.42
9 Motors (13)	353.76	+0.8	12.13	6.74	9.73	6.55	350.99	354.77	351.62	347.44
10 Other Industrial Materials (20)	1552.65	+0.1	9.25	5.22	12.76	28.92	1551.51	1554.52	1532.16	1563.11
21 CONSUMER GROUP (185)	1445.81	+1.3	8.51	3.68	14.57	9.69	1427.25	1427.85	1411.88	1218.86
22 Brewers and Distillers (22)	1787.74	+1.6	9.00	3.62	13.70	14.76	1759.18	1761.43	1749.36	1423.47
25 Food Manufacturing (20)	1188.85	+0.4	9.55	4.10	12.94	15.95	1184.02	1179.03	1171.36	1058.57
26 Food Retailing (16)	2652.69	+1.6	7.98	2.94	16.39	4.34	2611.73	2624.01	2621.19	2220.99
27 Health and Household (21)	3241.47	+1.7	6.27	2.61	18.97	17.97	3185.90	3183.20	3108.39	2542.92
29 Hotels and Leisure (21)	1374.04	+1.6	9.94	5.02	11.85	9.39	1352.13	1354.96	1343.52	1391.71
30 Media (24)	1474.81	+0.6	9.66	4.54	13.02	14.07	1465.38	1451.95	1440.16	0.00
31 Packaging, Paper & Printing (16)	653.68	-0.1	8.72	5.04	13.94	5.03	654.14	653.24	641.18	573.86
34 Stores (34)	887.51	+1.2	9.63	4.11	13.52	2.21	877.23	884.55	876.15	745.80
35 Textiles (11)	553.32	+2.0	9.59	5.80	13.15	2.61	542.42	538.41	530.95	495.03
40 OTHER GROUPS (108)	1198.41	+1.3	10.06	5.03	12.16	8.15	1182.97	1186.82	1174.86	1137.03
41 Business Services (13)	1200.45	+1.6	11.05	4.87	11.09	2.85	1181.43	1192.45	1177.41	0.00
42 Chemicals (21)	1262.43	+1.0	9.30	5.67	12.33	23.53	1250.09	1257.09	1236.87	1207.98
43 Conglomerates (10)	1578.79	+2.1	10.66	6.53	11.20	10.66	1546.20	1562.06	1539.70	1595.43
44 Transport (14)	2208.57	+1.0	11.20	4.67	10.89	6.97	2185.97	2192.67	2170.29	2221.87
45 Electricity (14)	1131.51	+0.3	12.25	5.90	10.23	0.00	1128.05	1131.59	1123.01	0.00
46 Telephone Networks(4)	1390.64	+1.8	9.56	3.59	13.61	0.00	1365.47	1366.10	1362.10	1124.05
47 Water(10)	2420.85	+0.9	14.01	5.79	7.98	39.69	2399.76	2403.96	2395.83	1932.64
48 Miscellaneous (22)	1894.13	+0.8	6.41	4.92	19.86	21.39	1879.91	1875.71	1843.85	1800.00
49 INDUSTRIAL GROUP (480)	1231.85	+1.2	9.59	4.49	12.83	9.39	1217.62	1220.62	1207.28	1114.17
51 Oil & Gas (20)	2351.33	-0.2	10.99	5.67	11.88	38.85	2355.55	2366.78	2348.76	2278.35
59 500 SHARE INDEX (500)	1327.41	+1.0	9.77	4.64	12.70	11.66	1314.34	1317.98	1304.15	1211.19
61 FINANCIAL GROUP (97)	829.20	+1.2	–	5.68	–	15.07	819.58	824.13	820.13	804.62
62 Banks (9)	918.61	+2.5	7.98	5.98	18.06	21.93	895.90	903.27	895.00	879.99
65 Insurance (Life) (7)	1522.74	-1.3	–	5.41	–	38.87	1543.04	1534.10	1524.45	1298.81
66 Insurance (Composite) (6)	699.80	+1.3	–	6.18	–	11.60	691.12	697.03	696.11	648.65
67 Insurance (Brokers) (8)	1178.66	+0.1	6.19	5.70	21.07	20.10	1177.94	1172.94	1172.87	1034.80
68 Merchant Banks (7)	431.66	+0.4	–	4.69	–	3.90	429.87	429.68	426.30	455.32
69 Property (40)	1016.04	+0.6	6.63	4.60	20.40	3.69	1009.87	1023.19	1024.16	1135.42
70 Other Financial (20)	292.60	....	9.59	6.48	12.92	3.59	292.58	290.49	290.64	318.59
71 Investment Trusts (69)	1196.82	+0.4	–	3.43	–	10.52	1192.59	1196.38	1177.79	1138.74
99 ALL-SHARE INDEX (666)	1205.28	+1.0	–	4.76	–	12.18	1193.33	1197.11	1185.32	1111.57

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 28	Mar 27	Mar 26	Mar 25	Mar 22	Year ago
FT-SE 100 SHARE INDEX♦	2488.3	+31.8	2488.6	2438.6	2456.5	2464.6	2437.6	2431.9	2440.5	2240.7

FIXED INTEREST

	PRICE INDICES	Tue Apr 2	Day's change %	Thu Mar 28	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	120.81	+0.03	121.02	1.70	3.07
2	5-15 years (31)	131.81	+0.02	131.78	2.05	3.58
3	Over 15 years (8)	138.65	+0.03	138.60	1.21	4.05
4	Irredeemables (6)	154.96	+0.40	154.35	3.45	1.50
5	All stocks (73)	130.54	+0.03	130.59	1.90	3.47
	Index-Linked					
6	Up to 5 years (1)	159.22	....	159.21	1.28	1.03
7	Over 5 years (10)	146.00	+0.11	145.84	0.67	1.16
8	All stocks (11)	146.94	+0.11	146.78	0.70	1.15
9	Debs & Loans (54)	109.40	-0.22	109.85	1.98	2.65

	AVERAGE GROSS REDEMPTION YIELDS		Tue Apr 2	Thu Mar 28	Year ago (approx.)
	British Government				
1	Low	5 years	9.39	9.37	11.71
2	Coupons	15 years	9.64	9.64	11.29
3	(0%-7¾%)	20 years	9.73	9.73	11.21
4	Medium	5 years	10.20	10.20	12.84
5	Coupons	15 years	10.03	10.03	11.71
6	(8%-10¾%)	20 years	9.98	9.99	11.45
7	High	5 years	10.34	10.34	12.95
8	Coupons	15 years	10.21	10.21	12.01
9	(11%-)	20 years	10.16	10.16	11.74
10	Irredeemables	†	9.98	10.02	11.21
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.73	3.72	4.59
12	Inflation rate 5%	Over 5 yrs.	4.14	4.14	4.13
13	Inflation rate 10%	Up to 5yrs.	2.90	2.89	3.62
14	Inflation rate 10%	Over 5 yrs.	3.95	3.96	3.95
15	Debs &	5 years	11.84	11.85	15.70
16	Loans	15 years	11.64	11.65	14.37
17		25 years	11.45	11.45	13.67

♦Opening index 2440.2; 9 am 2446.0; 10 am 2455.1; 11 am 2474.8; Noon 2473.3; 1 pm 2473.4; 2 pm 2478.2; 2.30 pm 2478.6; 3 pm 2482.3; 4.10 pm 2488.5; (a) 4.14pm (b) 8.39am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. BRITISH GOVERNMENT FIXED INTEREST YIELDS: With effect from (2/4/91) the 20 years average gross redemption yields for low, medium and high coupons have replaced the 25 years series.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	21	17	47
Corporations, Dominion and Foreign Bonds	5	0	15
Industrials	436	245	865
Financial and Properties	181	109	456
Oils	22	25	46
Plantations	2	1	7
Mines	30	52	80
Others	31	73	57
Totals	728	522	1,573

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings March 18
● Last Dealings April 5
● Last Declarations June 27
● For settlement July 8

For rate indications see end of London Share Service

Calls in ADT, Bula Res., Burnett-Anderson, Control Secs., Cray Elect., Dares Ests., Ex-Lands, FKI, Norcros, Pittencrieff, Saatchi & Saatchi and Tusker Res.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Woodchester advances 12% as assets top £1bn

By David Barchard

WOODCHESTER Investments, the leasing and financial services group, which is quoted on both the Dublin and London stock exchanges, raised pre-tax profits by 12 per cent from I£26.4m to I£29.6m (£26.6m) in the year to December 31 1990.

Gross rentals were 20 per cent higher at I£324.3m (I£269.9m). Group assets rose from I£632.9m to I£1.08bn.

During the year Credit Lyonnais raised its stake in the group from 29.9 per cent to 45 per cent, subscribing I£100m in net new shareholders' funds and so doubling Woodchester's share capital.

Woodchester now plans to buy a minority holding of between 30 per cent and 40 per cent in Slibail International, the leasing arm of Credit Lyonnais.

Earnings per share rose by 11 per cent from 15.1p to 16.8p.

The total dividend for the year is increased by 25 per cent to 3.125p (2.5p) via a recommended final distribution of 1.865p.

● COMMENT

Perhaps not surprisingly after more than a decade of heady growth, Woodchester's results are enveloped in a glow of self-confidence which somewhat belies the group's slower than usual pre-tax profits growth. It is a creditable performance in a year when Woodchester made only one acquisition and high interest rates blighted business conditions in the UK. The result certainly looks respectable alongside those of several of Woodchester's UK finance house competitors. The test will come this year when profits are forecast to rise to I£42m. On other fronts, Woodchester has genuine cause for self-congratulation. Assets have soared from I£21m in 1986 to I£1.14bn in 1990, but rapid balance sheet growth and diversification into new markets has been combined with caution. The marriage with Credit Lyonnais, achieved earlier this year despite the opposition of Mr Peter Lilley and the DTI, carries the group a stage closer to its eventual goal of splitting its business equally between Ireland, the UK, and continental Europe. The large size of the dividend increase – more than double the increase in earnings per share – suggests that Woodchester nevertheless feels it necessary to sugar the pill.

Merlin shares suspended amid confusion over offer document

By Sue Stuart in Douglas and Stewart Fleming in London

THE STOCK Exchange yesterday suspended quotation of the shares of Merlin International Properties amid confusion over the publication of an offer document for the failing property concern.

The document, which was sent to shareholders over the weekend, contained information about the British Virgin Island and Panamanian companies which have launched a £2.9m agreed bid for Merlin. The Merlin board has said that the company faces receivership if the bid does not succeed.

Smith New Court, the securities firm acting on behalf of Merlin, said that the offer document had gone out without the approval of the Merlin board.

"You have a copy of a non-document sent out in error," an executive of the securities firm said. "It could just as well be a copy of Enid Blyton for all its validity, so shareholders should ignore it. There is information in this document you cannot rely on" but he declined to specify what it was.

The document gives details of the 5p per share offer for Merlin's ordinary and preference shares from Luirc, a newly formed company incorporated in the British Virgin Islands which is wholly owned by Estonia, a company incorporated in Panama. Bonaventure, a Swiss-based company headed by an Australian, Mr Peter Borgas, is providing the finance for the offer.

Merlin's minority shareholders have expressed concern to the Takeover Panel that some directors of Merlin may be acting in concert with the bidder.

However, the offer document from Fininvest Corporate Finance, a securities house, states that "no agreement, arrangement or understanding . . . exists between Luirc or any person acting in concert with it and any directors, recent directors, shareholders or recent shareholders of Merlin."

Fininvest, a small London securities firm, was unavailable for comment yesterday on why the document was sent or on the information it contained.

The offer followed the company's announcement in February of pre-tax losses of £26m for the year to the end of June 1990.

Merlin, an Isle of Man-registered company, has property interests in Britain, Australia and the US. Luirc has asked Mr Peter Jevans, chief executive, Mr Graham Jury and Mr Colin Hutchins to remain as directors of the company.

The offer document states that Mr Kurt Zingre, a Swiss banker, is both beneficial owner of Estonia and sole director of Luirc.

In a letter to shareholders Merlin says that the company incurred a loss of £7.1m (£6.96m) in the six months to December 31 1990.

Its accounts to June 1990 showed net assets of £36.2m and contingent liabilities under guarantees of £219m.

Emap buys three music magazines from UCM

EMAP, the newspaper and magazine publishing group, has acquired three music titles from United Consumer Magazines for its Metro subsidiary.

They are the recently-closed Sounds, the weekly Kerrang!, and the monthly Select. Each follows an aspect of the popular music sector. The purchase price was not disclosed.

Mr Clifford Jakes, executive director of UCM, said the sale marked the company's departure from the music-orientated magazine market, as part of a rationalisation of its consumer publications portfolio.

The acquisitions appear to represent a one-off opportunity, rather than a change in Emap's usual policy of launching its own titles in-house.

Metro sees the monthly Select magazine as an attractive complement to its quality adult music publication, Q, though geared to a more youthful market. The heavy-metal magazine Kerrang! has been a leading competitor of Metro's Raw!. Plans for Sounds were not announced.

BG Technology capital return

Directors of Baillie Gifford Technology will continue to progressively return capital to shareholders, although the timing depends on realising some of the unlisted investments.

This follows the decision last year to return funds to shareholders because of the company's disappointing progress since it was launched in 1983, and the probability that the future would be no more rewarding. In August there was a 50p capital repayment.

At February 28 1991, net asset value had fallen from 101.8p to 40.9p. After the repayment the principal reason for the fall was the reduction in directors' valuation of Intelligent Applications and Implex.

Through the high degree of liquidity the revenue account for the year to February showed a pre-tax profit of £246,000 (loss £67,000). Earnings were 1.85p (losses 0.55p) and there is a dividend of 1.4p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Baillie Giff Tec ......fin	1.4	June 12	nil	1.4	nil
Edinburgh Fund ......fin	7.5	May 15	7.3	12	11.5
Inchcape ......fin	7☆	July 2	6.5	11.8	11
Quarto ......fin	3.375	June 4	3.375	4.875	4.875
Woodchester Invs ......fin	1.865♣☆	May 31	1.5	3.125†	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ♣Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are *not* available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interim- Friendly Hotels.

Finals- Anglo Pacific Res, Ash & Lacy, Bowmore Intl, CMB Packaging, Hay (Norman), Tesco, Wiggins Teape Appleton.

FUTURE DATES

Interims-

Haemocell	Apr. 24
MMT Computing	May 9
TIP Europe	Apr. 10

Finals-

Abtrust New Euro Inv Tst	Apr. 4
Anglo American Gold	Apr. 12
Blockleys	Apr. 9
Brabant Resources	Apr. 10
Chepstow Racecourse	Apr. 8
City Centre Restaurants	Apr. 9
Estates & General	Apr. 4
FKI	Jun. 13
Fields (Mrs)	Apr. 15
Govett Oriental Inv Tst	Apr. 18
Halls Homes & Gardens	Apr. 5
Jermyn Inv	May 15
McLaughlin & Harvey	Apr. 11
Malaysia Equity Fund	Apr. 5
Metsec	Apr. 8
New Ireland	Apr. 4
Next	Apr. 10
Ocean Group	Apr. 10
Pearson	Apr. 8
Queen's Moat Houses	Apr. 10
Severfield-Reeve	Apr. 8
T & S Stores	Apr. 4
Thompson Clive Inv	Apr. 8
Turriff	Apr. 15
UK Land	Apr. 9
United Friendly	Apr. 8

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 9 April 1991

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 April 1991. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 11 April 1991 and will be in the following maturities:

ECU 300 million for maturity on 16 May 1991
ECU 300 million for maturity on 11 July 1991
ECU 400 million for maturity on 10 October 1991

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 9 April 1991. Payment for Bills allotted will be due on Thursday, 11 April 1991.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 11 April 1991 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 10 October 1991. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
2 April 1991

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.04.91: Pool purchase price £/MWh	Final Prices for Trading on 03.03.91: Pool purchase price £/MWh	Final Prices for Trading on 03.03.91: Pool selling price £/MWh
0030	15.86	15.93	15.93
0100	15.72	17.07	17.07
0130	16.27	18.45	19.89
0200	17.06	18.45	19.89
0230	18.24	18.21	19.64
0300	18.24	15.93	15.93
0330	16.29	15.42	15.42
0400	16.29	15.38	15.38
0430	16.27	14.85	14.85
0500	16.24	14.81	14.81
0530	16.22	14.82	14.82
0600	16.24	15.28	15.28
0630	16.27	15.93	15.93
0700	21.30	17.73	19.16
0730	18.42	19.41	20.92
0800	22.55	19.41	20.90
0830	23.40	19.87	21.37
0900	23.70	19.87	21.37
0930	23.70	20.76	22.28
1000	23.70	20.76	22.28
1030	23.70	20.76	22.28
1100	24.00	20.76	22.29
1130	24.00	20.76	22.28
1200	24.00	20.76	22.28
1230	24.00	20.76	22.28
1300	24.00	20.76	22.29
1330	22.40	20.76	22.30
1400	21.30	17.41	17.41
1430	21.30	17.07	17.07
1500	21.30	16.99	16.99
1530	21.30	17.07	17.07
1600	21.25	17.07	17.07
1630	23.40	20.76	22.26
1700	23.40	20.76	22.23
1730	23.40	21.37	22.84
1800	23.40	21.87	23.37
1830	20.66	29.17	30.86
1900	20.66	29.17	30.81
1930	20.66	29.17	30.82
2000	20.66	27.10	28.73
2030	23.43	23.11	24.66
2100	23.43	23.11	24.67
2130	23.43	23.11	24.69
2200	23.41	23.11	24.69
2230	19.02	16.69	16.69
2300	17.94	15.42	15.42
2330	16.29	14.85	14.85
2400	16.23	14.50	14.50

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

LEGAL NOTICES

R.E. CRAWLEY LIMITED - (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: Oriel House, 55 Sheep Street, Northampton NN1 2NF, on 9 April 1991 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receiver(s) under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown above, no later than noon on 8 April 1991, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

N R. B. Godden
Joint Administrative receiver

Note
Creditors may obtain a copy of the report free of charge, on application to the administrative receiver(s) at the address shown above.

Cash raised from sale to Germans will cut borrowings by more than half

Markheath sells Camford Eng for £54m

By Maggie Urry

MARKHEATH SECURITIES, the property group, is selling Camford Engineering, the automotive component company which it acquired in May last year. The buyer is Hoesch, the German steel and engineering company, which is paying £54m cash. Markheath is retaining Camford's non-operating properties, valued at £22m.

Markheath is 61.6 per cent owned by companies in the Adsteam group, the Australian conglomerate which last week sacked Mr John Spalvins, its chief executive, after making a A$1.2bn net loss for the six months to end-December. Mr Spalvins is chairman of Markheath.

Markheath, which paid £62.1m for Camford, has in effect valued the business at £76m. It said that the proceeds of the sale "represent a significant surplus over the carrying cost of Camford".

Camford had strongly resisted the bid saying it undervalued the group. The final offer valued Camford at £69m, but Markheath had previously built up a 29.9 per cent stake at lower prices.

Mr Ian Creber, finance director of Markheath, said that the group had made no cash investment in Camford during its ownership but had expended management time and effort improving Camford's business and adding value to its properties.

Markheath said that Camford's development was constrained by the circumstances of Adelaide Steamship, the largest company in the Adsteam group which holds the bulk of Adsteam's stake in Markheath. Camford's automotive business would benefit from being part of Hoesch, Markheath said.

Camford's largest customers are the UK arms of motor manufacturers Rover, Ford and General Motors.

Markheath said that with Hoesch Camford would be able to "establish a significant presence in the European automotive industry".

John Spalvins: Camford's development was constrained

The cash raised will cut Markheath's borrowings by more than half. Last month Markheath arranged put and call options over its 22.7 per cent stake in Frogmore Estates, another property company, which could raise £25.5m for Markheath.

Mr Creber said Markheath's aim was to reduce its gearing, and it was expecting net debt to fall to between 25 and 50 per cent of shareholders' funds. Markheath's shares rose 3p to 41p yesterday. Before the Camford acquisition Markheath had made a £45.4m share issue at 75p.

Markheath said it would now concentrate on being a property investment and development group. The sale of Camford would put it in "an excellent position to take advantage of the opportunities arising in the sector". Mr Creber said that no property purchases were imminent.

Adsteam shareholders in Markheath have said they will vote in favour of the Camford sale at a special meeting to discuss the deal.

Mr Creber said the assumption was that Mr Spalvins and Mr Michael Kent, another departing director of Adsteam who is also a director of Markheath, would leave Markheath when the reconstruction of Adsteam was finalised, expected to be between the end of June and the end of July.

See Lex

Pilkington shuffles Australian interests

By Maggie Urry

PILKINGTON, the glass group, is selling its Australian retail glass and windscreen replacement business to O'Brien Glass Industries, and buying O'Brien's commercial glass distribution activities. Pilkington will also pay O'Brien A$30m (£13.3m).

The move is designed to focus Pilkington's Australian business on glass manufacture – the group has two float plants there – secondary processing, glazing and distribution.

The business it is buying has 20 outlets, most with processing facilities, located mainly in Victoria, New South Wales and Queensland. The retail chain it is selling has branches in the same states.

Albert Fisher US executive resigns

By Andrew Bolger

ALBERT FISHER, the fresh food distributor and processor, announced that Mr Keith Brackpool, chief executive of its US operations, is to resign "to resolve personal matters unrelated to the company".

Mr Brackpool, 33, is in negotiations with the administrators of Albert Fisher rival, Polly Peck International, concerning a guarantee he gave over a US share deal.

The amount at issue, over $10m (£5.6m) including interest, concerns an unpaid loan note issued in 1988 by Nelson Asset Management, a Bermuda company of which Mr Brackpool is the president and largest shareholder.

NAM issued the note in return for 2.55m shares in US packaging group Corporate Data Sciences, bought from Polly Peck. Mr Brackpool is a former chief executive of CDS and is still a shareholder.

Mr Brackpool said: "This matter needs to be resolved in a private forum and I have therefore decided to step down from Albert Fisher. I will abide by whatever the ultimate resolution is."

Mr Tony Millar, chairman of Albert Fisher, said he personally had invested £20,000 in NAM, but stressed that Albert Fisher had nothing to do with the transaction which is in dispute.

Mr Brackpool, who joined the board of Albert Fisher in 1989, will receive no compensation, but will keep 1m share options. Last year North America generated almost 30 per cent of the group's pre-tax profits of £74m.

Mr David Pearce has been appointed acting chief executive for the group's North American operations. Mr Richard Portergill has been appointed chief executive of the whole of Albert Fisher's European operations.

Electronic dealing in London insurance market a step closer

By Richard Lapper

ELECTRONIC TRADING in the London insurance market came a step closer yesterday following a co-operative agreement between Andersen Consulting, a leading information technology supplier, and Northdoor, a specialist company providing information technology to the insurers on IT development.

Andersen Consulting has worked on strategic information systems for other financial markets including the Paris and Frankfurt bourses.

Northdoor has worked with a number of insurers on the Lloyd's and London company market to develop the C-DEX initiative since 1989.

A pilot of C-DEX in a specialist area of the North American reinsurance market was carried out last year and the backers of C-DEX are expecting to extend the scope of the scheme this year.

The system is designed to complement, rather than replace, the traditional way insurance business is conducted in London – which involves face-to-face negotiations between underwriters and brokers.

The C-DEX system allows brokers to capture risk details and other information on the system and disseminate it to selected underwriters via the existing network system – LIMNET – in London

Underwriters may then use C-DEX to offer to accept a percentage of the risk offered or request a visit from their brokers.

Mr Peter Bedells of Northdoor said the "whole mood about electronic trading" had changed over the past 18 months "from 'whether' to 'how and when'."

Hutchison Telecom buys Millicom offshoot

HUTCHISON Telecommunications, part of the Hong Kong-based Hutchison Whampoa group controlled by Mr Li Ka-shing, has bought Millicom Cellular from its US parent Millicom of New York, writes Roland Rudd.

Consideration was £29.5m cash. Millicom owned 86.5 per cent of Millicom Cellular, and will receive £20m after paying off £7.6m bank debt.

Cellular is one of the largest cellular telephone resellers in the UK.

The acquisition is part of the group's expansion into the UK mobile telecommunications market, and makes Hutchison the largest cellular service provider in the UK.

In January it bought Millicom Information Services, one of seven British national paging operators, and recently acquired BYPS Communications, the UK telepoint consortium.

It has bought a further 60,000 sq ft of space and facilities at its Darlington site where it will run the cellular business.

● Compagnie Generale des Eaux, the French utility services group, has acquired 51 per cent of Talkland International, a mobile telecommunications company, through a newly-formed British subsidiary General Mobile Communications.

15% downturn at Edinburgh Fund Managers

Edinburgh Fund Managers, the international fund management group, reported pre-tax profits down by 15 per cent from £4.91m to £4.16m in the year ended January 31 1991.

Turnover was marginally lower at £7.73m, against £8.05m.

Earnings per share declined from 17.1p to 15.9p, but the final dividend is increased to 7.5p making a total of 12p (11.5p).

Funds under management at end-January were £1.4bn (£1.6bn).

Directors said the year had been an active one, with a management reorganisation, the introduction of two new investment trusts, and the appointment of EFM as adviser to an American closed end fund.

Costain sale will cut debt

COSTAIN GROUP, through its Land Marine Engineering subsidiary, has sold its interests in two offshore accommodation units. The proceeds of some £21m will be used to reduce borrowings.

The semi-submersible "Safe Felicia" has been sold by the partnership to Anders Wilhelmsen, a Norwegian company, for £28m, while the jack-up rig "Launcelot" has been bought for £8m by Dutch interests.

COMPANY NEWS IN BRIEF

BORTHWICKS has sold its main meat processing plant, the abattoir at Colne, for £1.8m cash. Purchaser is Neerock, which trades as Woodhead Brothers Meat. Sale reduces Borthwicks' exposure to the meat industry to about 10 per cent of sales.

GREENACRE GROUP has acquired the assets and business of Elm Grove Nursing Home in Cirencester for £1.08m cash. Purchase lifts number of homes operated by Greenacre to five with a total of 209 beds.

LLOYDS CHEMISTS has acquired three Marshall Haydock stores and five Care Drugstores for a total £1m cash plus stock at valuation.

OMNITECH has requested the Stock Exchange to suspend dealings in its shares following the appointment at the directors request of administrative receivers at two subsidiaries, Omnitech (Manufacturing) and Omnitech (Europe).

PHOTO-ME International has raised its stake in Portrex, its French subsidiary, from 51 per cent to 81 per cent for £5.9m cash, and in CBA, its Belgian offshoot, from 51 per cent to 70 per cent for £280,000 cash. ESI, a wholly owned subsidiary of KIS Industries of France, has bought a further 6m ordinary shares in Photo-Me taking its holding to 20 per cent.

RESORT HOTELS has conditionally agreed to a three-year contract to manage the five hotels of the Penguin Hotel Group. Penguin shareholders are being asked to approve a capital reconstruction, as part of which Resort has agreed to subscribe for up to £2m of loan stock in Penguin, which may be used to subscribe for Penguin shares at a pre-determined price.

WHITBREAD is to sell its interest in the Antinori Group of companies to Mr Piero Antinori for £28m.

British Land purchase

By Vanessa Houlder, Property Correspondent

BRITISH LAND, the property company headed by Mr John Ritblat, has bought a mixed portfolio of properties which has an initial yield of 13 per cent for £8m.

Eleco Holdings, a building product, construction and development company, is selling the portfolio of 16 buildings, which comprise 12,000 sq ft of offices, 5,300 sq ft of retail space and 235,000 sq ft of warehousing in Hoddesdon, Romford and Hove.

UK COMPANY NEWS

NatWest turns Coutts into an international operation

By William Dullforce in Geneva

NATIONAL Westminster Bank yesterday merged its UK and international private banking operations under the Coutts name.

The move would combine the British "art of banking" *with the advantages of a Swiss* operational base, the bank said.

A new holding company structure unites Coutts & Co, the London private bank founded in 1692 and owned by NatWest since 1922, with HandelsBank NatWest in Zurich and NatWest International Trust Holdings in the Bahamas. Each had previously worked independently.

Operating under the name Coutts & Co, the group will initially have some 3,500 staff managing assets equivalent to some £18bn, of which £11bn is overseas.

Coutts & Co will continue to be responsible for UK business. *Coutts & Co International* Holding in Zurich will control the international private banking operations.

Mr David Money-Coutts, chairman of the London bank, will chair both holding companies.

Mr Jean-Pierre Cuoni, president of the former HandelsBank NatWest, will be responsible for co-ordinating NatWest's global private banking activities.

"Anybody who wants to have a banking account in Switzerland can now benefit from doing it through a British house with a long-standing tradition in private banking and serving private clients," Mr Cuoni said.

Existing services in lending, capital market financing and trading in securities and foreign exchange would continue to be provided, Coutts said in Zurich.

But the new group planned to extend the range of services offered to private clients, in particular by offering international customers advice on financial, inheritance and tax matters.

Century Oils promises reshuffle and profit forecast in Fuchs battle

By Andrew Bolger

CENTURY OILS has promised a management reshuffle and profits forecast in its efforts to see off a hostile £35m cash bid from Fuchs Group of Germany, which also makes and distributes lubricants.

Mr Charles Mitchell, chairman and managing director, said in a letter to shareholders that the group had been planning to split his role since last year and a new managing director would be appointed as soon as possible.

Fuchs is offering 110p per share for Century, which yesterday closed 1p down at 125p, suggesting that the German group will have to increase its offer.

In the first 21 days of the offer, which was launched on February 26, Fuchs received acceptances from shareholders representing only 0.64 per cent of Century's ordinary shares.

Century's document says that in spite of greater volume of sales from acquisitions in the past three years, Fuchs's operating margins have fallen and the benefits Fuchs claims from expansion have not appeared in its profits. Earnings per share of Fuchs has fallen from DM13 in 1988 to DM10 in 1989.

Century also says that *Fuchs's acquisitions and inter*nal development programme have increased its net borrowings by over 135 per cent between December 1987 and December 1989, raising gearing to 79 per cent, even after treating its convertible bonds as equity.

Quarto expands to over £4m

IN SPITE of mounting economic problems encountered in its main markets, Quarto Group turned in record figures for 1990.

Turnover of this US-registered publishing, marketing support and production services group increased 17 per cent to £39m (£33.21m) and pre-tax profit rose 4 per cent to £4.06m (£3.89m).

Earnings improved to 17.9p (17.7p) and the dividend is held at 4.875p with an unchanged final of 3.375p.

This year's results included Rockport Publishers, acquired in June, and trading losses in the magazine division, which was subsequently disbanded.

Mr Laurence Orbach, chairman, said the group was never able to achieve a critical mass or enough leading titles to sustain the division profitably in an advertising downturn. The loss on disposal was £1.38m and part of a £1.49m extraordinary charge.

He attributed the group's continuing success to its widely spread world markets, its size and reputation in the publishing industry, and its management philosophy.

"We encountered setbacks to our growth plans but the experience has helped us to highlight the strengths of the group", he said.

Book publishing remained the largest single activity. Trading conditions generally weakened as the year progressed and the group was affected by the collapse of an important customer in the UK.

In the current year some of the recessionary influences should end, but there was little to suggest substantial growth in demand, Mr Orbach stated.

COMPANY NEWS IN BRIEF

AIRTOURS: negotiations involving the possibility of acquiring the Neilson ski holiday business from Granada have ceased.

ARLINGTON SECURITIES, the property division of British Aerospace, has established a new subsidiary to expand its commercial development interests in Europe. The new company, known as Arlington Securities Europe, is initially based in London and an office *on the Continent* will be opened at a later date.

BAILLIE GIFFORD Japan Trust: Net asset value at February 28 amounted to 577.7p (572.1p six months earlier). Net deficit at interim stage was £66,012 (£235,844) and losses per share were 0.6p (2.14p).

BODYCOTE INTERNATIONAL has acquired – through its subsidiary, Blandburgh Nemo – HIP and Infutec from Marshalls for £4m cash, part of which will be utilised to repay loan accounts outstanding between the companies and Marshalls.

BRAKE BROS has agreed to purchase the assets and goodwill of Midfish, a fresh fish and seafood supplier, from SPI for an undisclosed sum.

CALOR is to seek shareholder approval to invest up to £17m in a joint venture to enter into the marketing and distribution of liquefied petroleum gas in Poland, Hungary and Czechoslovakia.

CHARLES CHURCH Developments: After £44.1m exceptional charge arising from write-down of stock and work in progress, losses before tax were £50.29m (profits £15.24m) in year to August 31. Turnover was £97.07m (£134.03m). Net interest payable was £10.16m (£7.83m) and loss per share 62.3p (earnings 10.3p).

COURTAULDS has set up a joint venture company at Taipei, Taiwan, for the manufacture of powder coatings. The new company will be called International Chang Cheng Co. with 50 per cent held by Courtaulds Coatings and the other half by Mr Hung-Chih Li and his associates, the owners of Chang Cheng Chemicals, a leading Taiwan supplier of powder coatings.

HEYWOOD WILLIAMS has received *rights issue acceptances* in respect of 11.13m new ordinary shares (93.52 per cent). Those shares not taken up have been sold in the market.

KINGSPAN GROUP: The County Cavan-based building materials company announced pre-tax profits of I£3.6m (£3.24m) for 1990, up from I£2.8m last time. Earnings per share were 11.74p (10.07p) and a final dividend of 1.2p makes 2.2p (1.33p) for the year. Company has USM quote.

LINCAT GROUP, industrial electrical concern: Taxable profits for six months to end-December declined to £376,000 (£602,000). Earnings per share worked through at 3.74p (5.7p) but interim dividend is maintained at 1.8p.

MISYS said that of the 3.03m new ordinary shares offered to qualifying holders at 89p per share pursuant to the placing and offer in relation to the *acquisition of the Star Maintenance* Business, 2.27m shares (75 per cent) had been validly applied for by 3pm on March 27. The balance of 758,879 have been conditionally taken up by placees.

NEWEY GROUP: Pre-tax profits fell from £9.3m to £1.72m in 1990 on turnover of £26.03m (£26.14m). Earnings per share were 49.4p (225.9p). Newey is a West Midlands-based smallwear manufacturer, wholly-owned by William Prym-Werke of Germany.

P-E INTERNATIONAL has acquired Fray Data Intersite, a Dutch systems/software house for an initial Fl 1.04m (£314,000). A further Fl 250,000 may be payable depending on profit levels over the next 15 months.

ROSS GROUP, has paid £700,000 cash for certain assets, patents and trademarks from the receivers of Traveller International Products, a supplier of a range of electrical travel accessories. An EGM also approved the reverse takeover of Whittington.

SIR (1928): Rescue package announced by Mr Rex Williams and Mr Leon Andrews-Zannetou, who will inject certain of their assets into the former Scottish Ice Rink group. Company plans rights issue to raise about £600,000 and intends to remain in the leisure field.

THORNTON (GW) Holdings started trading on the Official List of the Stock Exchange on Thursday, March 28. Its activities are centred on the international aerospace and medical markets.

UNITED SCIENTIFIC Holdings has placed 10.5m shares in Avimo Singapore, its Singapore-listed subsidiary, in the Singapore market, reducing USH's holding in Avimo from *65 to 51 per cent*. Net proceeds of £6.25m will be applied initially in reducing group bank borrowings.

WIGGINS TEAPE Appleton: Attempts to complete the sale of Boise Cascade Corporation's Vancouver, Washington, paper mill to Appleton Papers, a subsidiary of WTA, were terminated on March 31 when the agreement signed by both companies last August expired and terms for an extension could not be reached.

UK COMPANY NEWS

A global book-runner to catch the market

The government is looking at a new way of selling its BT share. **Roland Rudd** reports

A GLOBAL book-runner sounds a little like something out of a science fiction film. As far as the Treasury is concerned its time *has finally arrived. It has* drawn up a short-list of six leading UK merchant banks to play the role, masterminding the sale of part of the government's 48.6 per cent stake in British Telecom.

As a global book-runner, the *lead bank, which is expected to* be appointed next week, will have more responsibility than any other main adviser in past UK privatisations.

The government is expected to split the BT sale between the UK retail market and the *rest of the world. There will be* a fixed allocation of shares to be targetted to British individuals.

But unlike previous privatisations UK institutions will have to take their chances along with their US, Japanese and continental competitors in the market assigned as the rest of the world. Unlike the sale of the electricity generators, BT shares will not be allocated to different markets in advance of the flotation.

If Japanese institutions bid more aggressively for BT shares the global book-runner will be able to switch more to Japan at the last minute to meet the demand, thereby maximising the price attainable.

In the US, where the term global book-runner has long lost its futuristic connotations, banks are often put in charge of worldwide equity sales. It is only novel in UK privatisations.

The government views it as the final appendage to the system of floating government assets which has become more sophisticated and intricate with each sale.

For ministers, privatisation inevitably means walking a *tightrope between a flop* and a giveaway. Apart from the sale of British Petroleum, just after the 1987 stock market crash, ministers have erred on the side of the latter. The Treasury hopes the creation of a global book-runner will solve this dilemma.

Signs of a giveaway hung over the recent sell-off of the two generators, National Power and PowerGen, even though the Department of Energy believed it had created a stag-proof formula.

It introduced a new concept called book-building. Institutions which wanted to take part in the underwriting had to submit bids showing how much stock they were prepared to take at different yields. A second round of soundings further narrowed the target yields before the price was finally set. There was then a back-end tender, which took place between *the offer closing and the start* of dealing.

But it was not the paragon it was made out to be: share prices rose 37 per cent on the day trading began because Nomura Securities, the government's Japanese adviser, unex*pectedly bought large blocks of* shares after failing to acquire any in the tender before the flotation.

The government does not accept the argument put forward by Japanese brokers that they had told the UK authorities that there would be a strong demand from Japanese retail clients but their allocations were still scaled back. It believes that Nomura not only failed in its responsibility as government adviser to alert ministers of the huge Japanese demand for BT shares, but did not tell them of the extent to which they promoted the shares in the Japanese retail market.

By having complete control over the placing of shares in the international markets a global book-runner would be expected to spot a future Nomura "stoking up demand".

The government's US, Japanese and continental advisers would also be expected to take the lead bank into their confidence so it could independently determine the demand for BT shares in each market.

A senior banker, who hopes to be advising the government in the BT sale, said he could still not see what the advantages were in appointing a global book-runner.

"If the government does not want too many shares to go abroad it would be well advised to sell the BT shares under the established system", he said.

However, UK banks have traditionally resisted the idea of a global book-runner for a number of reasons. It is easier to place a fixed amount of shares in different markets; US banks have far more experience of worldwide equity sales: a UK global book-runner may have to tell a US or Japanese bank in its own market that it has over or underestimated the demand for BT shares. By so doing, it could anger the US or Japanese bank and lose business in future transactions.

As a government adviser in a recent sell-off put it: "The appointment of a global book-runner inevitably means more *shares going abroad because the issue is more flexible. This* is why it has always been resisted by UK institutions."

Ministers are also looking for innovative ideas to sell some of the BT shares to individual British investors. This is partly to fulfil the government's goal of wider share ownership. Ministers believe clearing banks are "user unfriendly" when it comes to selling shares. They are looking to merchant bankers to produce solutions to that problem. One idea being canvassed is for banks to buy tranches of BT stock to re-sell to investors.

But the government is also keen for a large individual take-up to fire a shot across the bows of existing BT shareholders in case they were minded to sell their shares only to buy new ones at a discount. By denying them any preferential terms to buy new shares the government hopes to frighten them into hanging on to their existing stock in case they fail to be allocated *any of the new issue.*

A US merchant bank with experience of selling shares in a retail market believes it has come up with novel ideas about how to sell the government's BT shares. The Treasury will, no doubt, be interested in the ideas. But it will not appoint the US bank as its global book-runner. One of the unstated goals in the latest privatisation is to promote the interests of UK banks, which have had little experience in running worldwide equity sales.

Engineering a strategy to keep heads above water

Paul Cheeseright on changes companies are having to make to ride out the recession

IN MANY respects, Frederick Cooper and Speedo, could not be more different. One makes metal and electrical products, the other makes swimsuits. Yet the two Midlands companies demonstrate the radical internal changes, some painful, manufacturers are making to cope with recession.

"We have to condense the *cost base without restricting capacity,*" said Mr Eddie Kirk, chairman of Frederick Cooper, a mini-conglomerate with interests that include security and architectural hardware, electrical products and metal finishing.

"Keeping alive in a recession is being close to the customer," said Mr David Atkinson, managing director of Speedo Europe, the Nottingham-based swimwear manufacturer, now 80 per cent owned by Pentland Industries.

Pentland is planning further expansion in branded consumer goods having raised $396m in February by reducing its stake in Reebok, the US sports shoe maker, from 31.6 *per cent to 13 per cent.*

Despite the difference of their sectors and of their respective places in the market, Frederick Cooper and Speedo have elements in common. For a start, both have had a chequered financial history.

Mr Kirk was installed at Frederick Cooper as a company doctor in 1986, and rapidly had to sell loss-making subsidiaries – one of which was an unhappy venture into horse-shoe nail manufacture – in order to stop financial blood letting.

Speedo's origins lie in Australia, but the European end of the group passed into the hands of the Crowther Group in 1986, and thence into Coloroll. It was subject to a management buy-out in mid-1988 but that went into receivership *and re-emerged as a company* 80 per cent owned by Pentland and 20 per cent by the management.

"Keeping alive in a recession is being close to the customer," – Mr David Atkinson, managing *director of Speedo* Europe.

But just as Mr Kirk had been forced to sell subsidiaries and concentrate the business, so in its own way Speedo did the same thing. Mr Atkinson explained how peripheral activities like making hair-nets, string vests and lace, and the *practice of putting the Speedo* brand on skiwear, were cut away from the core business.

Both companies too are reducing their reliance on the UK market. The reasons are not difficult to find.

Frederick Cooper's architectural hardware and electrical divisions have both been hurt by the sharp downturn in the domestic house refurbishment and telecommunications markets.

On the other hand, technical innovation in metal finishing has helped Cooper Coated Coil to win contracts in continental Europe to the extent that it has been making record profits and is selling 60 per cent of its products overseas.

Although, on the face of it, the swimwear business looks as vulnerable as any other form of consumer spending, *this has not impinged on* Speedo, which last year, Mr Atkinson said, raised manufacturing capacity by 47 per cent. By the end of this year half of its business will be in continental Europe. However, Mr Atkinson added: "We are not focusing on stimulating more demand in this country."

These moves have been taking place against a background of changes designed to raise internal efficiency – changes, in fact, which serve to reduce the pressure on margins which can come from trading in difficult markets. At this point, the differences between Frederick Cooper and Speedo emerge.

The first company has varied businesses which it has tried *to expand, not only through* better performances in its component companies but also through a stream of acquisitions: there were nine corporate purchases and two disposals last year.

The second company has concentrated on a single product and derivatives like swim hats. Not only that: Frederick Cooper provides goods which find their way into an end-product manufactured by another company. Speedo's products go, via the usual intermediaries, direct to the public.

Growth by acquisition has meant that Frederick Cooper is engaged in a running process of rationalisation. "We are moving round four operations to release three freehold sites and two leases. All will be sold during 1991 releasing £1m in *cash, while disposing of the* leases will save £100,000 on rents," said Mr Kirk.

"We have to condense the cost base without restricting capacity," – Mr Eddie Kirk, chairman of Frederick Cooper.

An example of this process concerns Gibbons of Willenhall, a lock manufacturer. Last financial year it ran into losses as business fell off. Its production went down and its costs went up. Its press shop and tool room are being transferred to Latham Manufacturing, a *specialist engineer, with the* loss of 15 jobs. The space created at Gibbons will be used to house ABT Hardware, a distribution business which, in any case, handles some of Gibbons' products.

"At the same time we will merge the managements. Heads will fall out and there will be a cut in costs," said Mr Kirk.

The emphasis at Speedo, rather, is on improving the manufacturing and design process and on merchandising.

Last year, Speedo engineered about 20 per cent out of the cost of one of its garments: *male garments cost up to £3 to* make, female up to £5.50. The less complicated the design, the simpler the manufacturing. Mr Atkinson talked of "productivity from designing better so that the time in making a garment goes down".

In a business which Mr Atkinson sees as "fashion conscious but not fashionable", Speedo has been seeking to move its merchandising forward by up to eight weeks. This means that its catalogue can get into the hands of trade buyers earlier than that of the competition. "If you're the brand leader you have a strong position."

But Speedo is also trying to improve the perception of its goods at the point of sale and this involves trying to ensure that the retailer has enough sizes in stock, that the customer has adequate changing facilities and that the techniques of display attract the *customer's attention.*

For all the changes, both companies have yet to reap full rewards. Mr Kirk has already warned the market about Frederick Cooper's interim profits for the six months to January 1991. Due to be announced on Thursday, they are unlikely to be any better than the £2.3m earned in the same period of 1989-90 – and that figure was about half the interim profits of the year before.

BUSINESS AND THE ENVIRONMENT

Reincarnation in the design studio

German companies have led the way in the design of energy-efficient products, including appliances and automobiles. Andrew Fisher examines AEG's cradle-to-grave approach and John Griffiths visits BMW's recycling plant near Munich

In the days when life was simpler, a washing machine was an object which could be used for 10 years or more – maybe 20 if you were lucky – and then discarded for a new one. No one bothered much about what happened to the old machine. You might get something for the scrap value, or have to pay someone to take it away.

Gradually, as consumers became aware of the costs and risks of uncontrolled energy use, more emphasis was put on the machine's efficiency during its life span. Today, appliances use far less water and electricity than their predecessors; detergents, too, have become phosphate free and thus less ecologically suspect.

German companies such as Miele, Siemens-Bosch and AEG are now at the threshold of another, potentially far-reaching development: the design and manufacture of machines which can be recycled easily at the end of their life.

This is not as easy as it may sound. Apart from the volume and variety of materials involved, there is the problem of evaluating their recycling properties. Not enough data are available for this at present and designers are not trained to do this anyway.

But at a time when waste disposal is becoming an increasingly acute social, economic, and political issue, the design of washing machines and other appliances in a way that prevents them from becoming an environmental burden later is being given intensive study.

"The avoidance of waste is the most serious challenge we are facing today," says Peter Riller, AEG's director of washing machine and dishwasher design. "This makes it necessary to equip appliances with an increased number of reusable components".

Every year, he claims, west Germany produces 30m tonnes of household and industrial waste, enough to fill a goods train from Flensburg (the country's northernmost town) to the equator. More than 5m household appliances are disposed of annually – placed in line, they would stretch from Flensburg to Istanbul.

AEG began taking account of the whole cradle-to-grave life-cycle of washing machines three years ago. "We are only at the beginning," Riller says, "the map is still blank." He finds the idea of integrating the machine's development and manufacture with the ecology a fascinating one.

It means AEG's own people have to be imbued with a greater environmental awareness, not just as citizens but also as employees. Suppliers have to learn more about the recycling qualities of their materials and consumers must gradually accept that the products they buy should be geared towards easier scrapping and reuse of their contents.

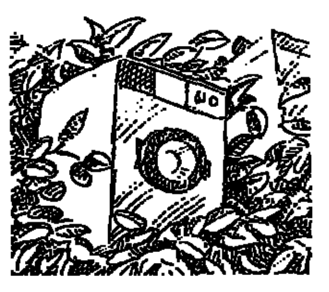
Riller reckons that even greater increases in efficiency during a machine's working life can still be achieved, but progress will obviously be less striking than in the past two decades. "Today's appliances consume about 50 per cent less energy and water than the previous generation."

AEG has introduced the ecological lock to cut detergent use by 20 per cent. It consists of a cap which closes automatically on the lower run-off spout to ensure that the detergent goes straight into the washing process and does not enter the drainage area of the suds container.

Variable-speed drives detect imbalances in washing loads and optimise laundry distribution in the drum. This makes higher spinning speeds possible, as well as reducing the moisture content of the laundry and thus bringing about large savings in energy needed for drying.

AEG's washing machines also have a savings cycle, eliminating the need for very high temperatures and extending the time in which the machine's mechanism acts on the laundry. Instead of washing the clothes at 95 deg C the heat can be cut to 60 deg C with a slightly longer wash period. The results are identical.

All of these features, Riller says, have become important marketing tools. But the time when this can be true of a machine's recycling properties is a long way off yet. For example, most Europeans who buy



appliances like the look of shiny steel, especially if they are paying a lot of money. But greater use of plastics – as in Japan – could increase efficiency by reducing weight, and eventually lead to improvements in recyclability.

Riller reckons that the plastics content of machines could be raised to 10 or 15 per cent from the present 5 per cent. Plastics recycling is still at the early stages of development, however, and until proper recycling concepts are introduced AEG plans no significant increase in plastics use.

There is no point, he says, in more so-called downcycling, in which recycling leads to lower grade plastics which are only good for plant pots. The market for these is not infinite. Processes must be developed in which plastics can be recycled so they can be used again for the same or similar applications. "If we succeed in doing this, the logical next step would be to develop highly plastic machines as the only way of achieving a better overall ecological balance."

Three problems must be solved:

● Plastics must be produced so that once the appliance's life is over they are not irreversibly damaged and can thus be recycled or reused.

● Products must consist of a limited number of plastics, the ideal being only one type. At AEG, polypropylene, with especially good anti-corrosion and air-resistant properties, accounts for 70 per cent of the plastics in washing machines, and this proportion will be raised.

● Ways must be found of recovering plastics from the appliances efficiently and without damage.

AEG's research unit is making studies of materials' recycling properties, and the company is also co-operating with outside institutes. With other German manufacturers and companies involved in recycling such as Metallgesellschaft, AEG is also co-operating with the German Electrical Industry Association (ZVEI) on plastics recovery and reuse.

Riller heads a ZVEI working party on the disposal of used appliances and packaging. "Too many machines still end up on waste dumps," says Norbert Knaup, general manager of ZVEI's large electrical appliance division.

Chemical, steel, and engineering companies are all working on ways of recycling plastics. While the subject is still under study, ZVEI wants appliance makers to refrain from trying to gain any advantage through advertising their products' recycling qualities. "The whole matter is too serious to be made into a competitive theme," Knaup feels.

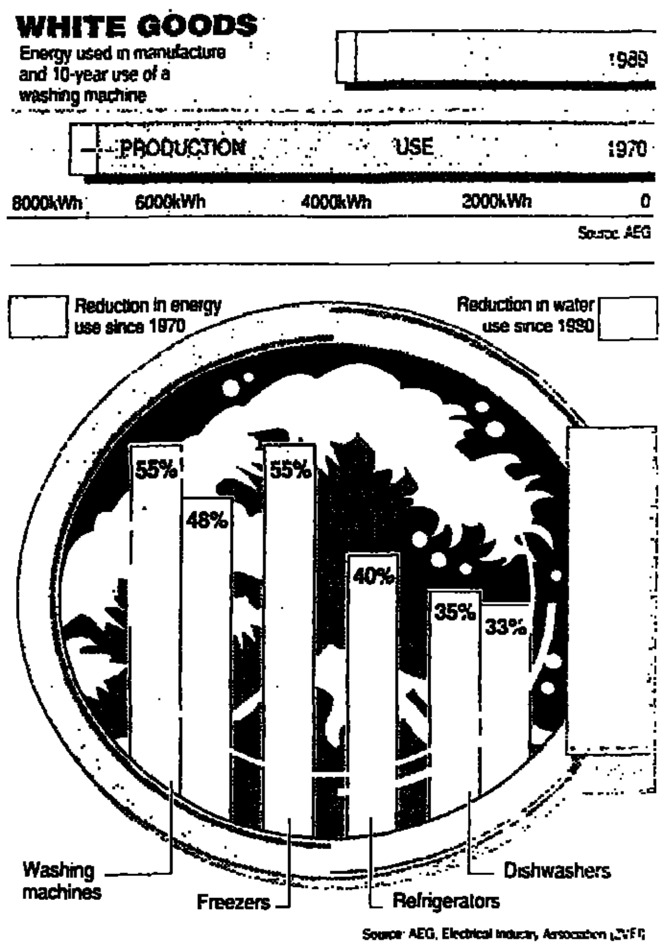
Three years ago, AEG began marking plastic parts to make identification easier when the appliance's life was over. It also instals components which contain compounds in such a way that these can be easily separated out later.

But real progress will not come until recycling methods have been developed for plastics which are as effective as those for metals, which are first pulverised and then separated mechanically.

Since washing machines run for at least a decade, it will not be until the next century that the results of the work by AEG and others on recyclable appliances can be seen.

In the meantime, designers will have to be trained in the environmental aspects of their work, suppliers will need to know about the recycling properties of their materials and consumers will have to be educated into an appreciation of appliances' ecological properties both during and after their life-span.

The machines of the future will not just wash clothes; they will be part of a whole new approach to keeping the environment clean. No wonder Riller talks of fascinating times ahead.



Old cars get a new lease of life

By the middle of this year BMW and other German vehicle manufacturers will be setting out proposals to the Bonn government on how best to tackle the pressing problem of recycling cars.

The German automobile industry has spent more than DM 500m (£170m) on production-related environmental protection over the past few years – equivalent to DM 300 per vehicle in the home market, according to BMW.

But the new focus on recycling the 2m cars scrapped annually in west Germany alone is not wholly the result of the manufacturers wishing to be seen to reduce the car's adverse impact on the environment and the resources required in its production.

They are preparing, instead, for the introduction of legislation which will impose tighter controls on the dumping of cars. The legislation may even force manufacturers to take back scrap cars which came off their own production lines. By the end of 1993 manufacturers are likely to be required to have in place the facilities and procedures for such recycling to take place.

It is partly with the aim of achieving that goal that Germany's first pilot car recycling plant has come on stream at BMW's Landshut components plant, less than an hour's drive from Munich.

The recycling centre is on a smaller scale than the 250,000 units-a-year facility BMW would need if it were to recycle all its own output of cars sold inside German borders – and which is already in the outline planning stages.

At any one time workers inside the plant are dismantling cars in their entirety – a task which takes some four to five hours per vehicle.

Horst-Henning Wolf, the recycling project leader, expects the exercise to reveal the most efficient techniques for disassembling cars and, in the longer term, important information about how cars of the future might best be designed in order to recycle them completely, compared with the 75 per cent level which has already been achieved.

As part of the process, BMW hopes to produce cars in such a way that complete disassembly can be cut to about one hour. Landshut has six stages: doors, boots and bonnets; the interior; inside the boot; outer bodywork; engine compartment; and floor pan.

BMW is using what Wolf describes as a "cascade" concept in its approach to recycling. This means choosing materials which, if possible, are reusable; designing the car to be capable of maximum disassembly; using materials which contain no harmful substances; using as few different materials as possible (in future avoiding materials such as polyvinylchloride and duromers which are problematic to dispose of as well as metal/plastic combinations in a single component); developing a uniform system of plastic marking, so that each can be instantly identified and processed appropriately; and reconditioning as many parts as possible so that they may be re-used.

Some of the processes by which this is achieved have long been familiar. Landshut, for instance, reconditions 16,000 engines a year, 8,000 rear axles and 13,000 starter motors. In the pilot recycling plant, one operation is devoted to extracting from defunct exhaust systems catalytic converter cores with their precious metal coatings. BMW is already reclaiming 8,500 a year. Because more than 80 per cent of all of the precious metals can be recovered, each reclaimed "cat" is worth DM300-DM400. Lights and water pumps are also reconditioned and re-sold.

Other processes are newer. BMW is collaborating with a number of companies on high-temperature gasification of problematical waste such as oil, rubber and contaminated plastics. A paper mill, for example, is changing its furnace from being coal-fired to using automotive waste. Such furnaces offer potential for the recycling of tyres – millions of which are occupying landfill sites the world over.

The variety of materials found in vehicles makes the recycling problem a complex one. Apart from steel, plastics and rubber, all the fluids used in a vehicle from battery acid to brake fluid are involved, together with glass, leather, wood and electronic parts.

The pilot Landshut project, which will run for two years, is also compiling data on the time and expense involved in disassembly and the extent to which costs can be recouped in the form of direct sales of old parts and recycled materials. The list of potential buyers is surprisingly long.

According to Wolf, those lining up to buy recycled BMWs include raw materials producers, the cement, rubber, plastic and mineral oil industries, tyre and glass manufacturers, energy suppliers, the chemical industry and even road construction companies wishing to use granulated plastics which cannot be melted down for re-use as filler in road beds.

COMMODITIES AND AGRICULTURE

Fresh blows hit South African gold mine sector

By Philip Gawith in Johannesburg

THE BELEAGUERED South African gold mining industry yesterday suffered two severe body blows with Gencor and Anglo American, the country's two biggest mining houses, respectively announcing the closure of a mine and the cessation of a major exploration project.

Both are symptoms of what has been described as the industry's worst crisis since it started over 100 years ago. Analysts predict that up to eight more mines may still close this year. At the current gold price about 40 per cent of the country's production is unprofitable, with 45 per cent of the workforce working at unprofitable mines.

The Stilfontein mine, situated in the Western Transvaal, will cease underground operations by the end of the year. The current workforce of 2,950 will be reduced to 500, who will mainly be employed on a surface rock dump operation. Three years ago the workforce was 9,500.

Mr Gary Maude, the mine's chairman and managing director of Gengold, Gencor's gold arm, said the mine's fate was typical of what was happening in the industry at the moment. He said if the real gold price of five years ago had been maintained, the mine, which first produced gold in 1952, would have been able to make a profit. It has a cohesive reef, over a large area, with a grade of about 400 grammes per ton, but to mine it profitably would require a rand gold price of about R50,000 a kilogram. That is equivalent to $573 a troy ounce, which compares with $357.75 an ounce at yesterday's London bullion market close.

Mr Maude said management had done everything possible, both technical and with employee groups, to save the mine. He said co-operation from unions had helped prolong the mine's life. The mine has sufficient cash reserves to cover the closure costs of about R35m. Some 80 per cent of its shareholders are foreign, 70 per cent of them living in Belgium.

The announcement by Anglo American that it is halting drilling activities in the northern part of the Potchefstroom gap, a large area lying between the Klerksdorp and West Wits line, is also a function of the weak gold price, and erratic grades.

Anglo was participating in a joint venture with New Central Witwatersrand Areas, its financial/exploration subsidiary, in exploring the Gerhardminnebron farm in the Potchefstroom district. Mr Michael King, NCW chairman, said in a statement that Anglo had advised that it intended to curtail drilling activities and suspend the Phase II programme once the current drilling programme was completed in September 1991. The Phase I report, said Mr King, showed that "after the earlier encouraging results, subsequent drilling revealed that the structure of the area is far more complicated, with lower gold values than originally anticipated".

The gold reef in the Potch gap area is very deep – about 3 km (1.86 miles). The industry rule of thumb is that it would cost R3bn to start a greenfield project at this depth, with a 10-15 year wait before there is any return on investment. Analysts believe the gold price will have to double to justify starting such a deep mine.

● Ireland's Minister for Energy is Mr Robert Molloy. On Thursday on this page his name was given incorrectly.

Wool price support criticised

By Kevin Brown in Sydney

AUSTRALIA APPEARS unlikely to resuscitate its suspended guaranteed pricing system for wool following the release yesterday of a critical report commissioned by the federal government.

The report, compiled by a committee headed by Sir William Vines, a former chairman of the Australian Wool Corporation, says that there should be no further government or industry intervention in the woolmarket.

The report was commissioned by Mr John Kerin, the Australian Primary Industries Minister, after he announced in February that the guaranteed pricing mechanism would be suspended until July 1.

Mr Kerin said that the government would decide how to respond to the report in May, after consultations with the industry. However, ministers are understood to be sympathetic to the committee's conclusions.

The report says a resumption of guaranteed pricing would distort the free market that has developed in wool since the scheme was suspended. It says legislation should be passed allowing intervention to be abolished to shore up confidence among buyers.

The report says that the wool council's stockpile of 4.8bn bales of unsold wool should be frozen until the end of the year and then released gradually at market prices. It also urges the federal government to contribute A$500m over two years to help finance the industry's losses.

The report says that the guaranteed pricing scheme provided overall small gains up to 1988-89, including providing a valuable sense of security for wool growers. However, it says thatguaranteed pricing could not be self-funding and concludes that the free market ought to be given a fair chance to demonstrate its effectiveness.

The 17-year-old guaranteed pricing scheme was suspended after the market indicator price – an average of prices paid for the main wool grades – fell to within a few cents of the floor price of 700 cents a kilogram. Subsequently the indicator sank to just over 400 cents a kilogram in late February – in comparison with nearly 900 cents a year earlier – but has since recovered to just under 450 cents a kilogram.

In a separate development yesterday, Mr Dick Newman, director of the Australian Council of Wool Exporters, said a delegation of Soviet wool buyers would soon visit Australia to discuss a resumption of the trade.

However, Mr Newman said that the amount of sales would be limited by the Soviet Union's ability to pay. "We know Russian mills are out of wool and there is pent up demand, but the Soviet Union may not necessarily have the funds to jump back into the wool market," he said.

The Soviet Union withdrew from the Australian wool market last year, following a hard currency crisis.

Export suspension 'costing $30m a week'

By Victoria Griffith in Sao Paulo

THE BRAZILIAN coffee market is losing almost $30m a week because of the suspension of export registrations announced by the government two weeks ago.

This figure was put forward by two of the most respected coffee organisations in Brazil, the Brazilian Federation of Coffee Exporters (Febec) and the Coffee Trade Center (Centro de Comercio de Cafe).

"It is unlikely that we will ever fully recuperate these losses," said Mr Orlando Correa, president of the Coffee Trade Center. "There will be no catch-up after exports are reopened, as demand is being satisfied by other coffee producing countries."

The $30m figure was arrived at by annualising exports of coffee made in January and February this year, to produce an estimate for the whole of 1991 of some 18m bags (60 kg each), including green beans and instant coffee. Breaking that figure down into weekly exports of about 350,000 bags and multiplying by current market prices, coffee analysts came up with the $30m-a-week figure.

The Brazilian coffee marketing industry is venting its anger over the suspension by sending telexes of protest to the Ministry of Economics in Brasilia. A telex signed by four coffee organisations – including Febec and the National Coffee Advisory – railed against the government for interfering in the market.

● The Brazilian coffee market was saddened this week by the death of Mr Carlos Calmon, president of Febec.

Mr Calmon, aged 60, died Monday morning of a heart attack. He was one of the founders of Febec, and spent his life working in the coffee industry. He will be replaced at Febec by Oswaldo Aranha Neto, president of the exporter Usicafe.

Oil finds in Papua New Guinea

By Kevin Brown

COMMAND PETROLEUM, an Australian oil group, said yesterday that it had made a significant find on the southern slopes of the mountainous Highlands area of Papua New Guinea.

Command said the first of two wildcat wells being drilled as part of a US$23m exploration programme had started producing oil at an initial rate of 3,600 barrels a day.

The well, around 500 km (310 miles) northwest of Port Moresby, is the first oil discovery made in Papua New Guinea since the 1950s, other than in the Kutubu oilfield area, where a consortium led by Chevron was recently granted a production licence. The exploration site is near the Kutubu project, and a producing oilfield in the area would benefit from a 260 km pipeline that will be constructed to transport Kutubu oil to the Gulf of Papua.

Dr John Doran, Command's managing director, said further drilling would be required to determine the size of the newly-discovered oil field. However, he said the find was encouraging.

"When a rank exploration wildcat well located within 10 or 20 km of a proposed oil pipeline route flows oil at rates in excess of 3,000 barrels a day there is reason for participants in the discovery, and their shareholders, to be encouraged," he said.

The well is in an exploration block in which Command, the operator, has a 20 per cent interest. Other major shareholders include MIM, the Australian mining group, which owns 15 per cent, and Southern Highlands Petroleum, a Japanese consortium led by Nippon Mining, with 50.5 per cent.

The first oil from the 800m Kina (£470m) Kutubu project is expected to begin flowing in late 1992 at an initial rate of 100,000 b/d, propelling PNG into the ranks of oil exporting nations.

The joint venture partners estimate that the Kutubu area, which comprises the Iagifu, Hedinia, Agogo and Usano fields, has reserves of more than 200m barrels of light sweet crude oil.

Chain reactions in UK food marketing

Producers are hoping for a new era of co-operation with the supermarket companies

FARMER'S VIEWPOINT

By David Richardson

THERE IS a love-hate relationship between farmers and supermarkets. On the one hand farmers recognise the incredible success of the retailing giants in persuading the public to pay high prices for conveniently presented and packaged food. On the other, as they watch the rise and rise of supermarket profits they become convinced that they, the providers of much of the raw material, must be being ripped off.

Moreover stories of the ruthlessness of supermarket buyers are legion; of the way they are said to change the specification and grade of fruit and vegetables without discussion half way through a contract; of the high-handed habit some are said to have of changing packaging sizes or materials just after farmers have spent fortunes gearing up for the previous preference; of the sudden introduction of sale or return clauses in supply contracts for highly perishable goods; of delays in payment which are claimed in worst cases to extend for months rather than weeks.

There seems little doubt that some if not all of these allegations are based on fact. Indeed it is not difficult to find a great many farmers and growers who will vociferously confirm, in private, that they are true. It is virtually impossible, however, to find one who will repeat his complaints in public. Fear of victimisation is invariably given as the reason. Meanwhile the same individuals usually continue to supply the same chain of multiple stores.

The only logical conclusion that can be drawn is that while the supermarkets are sometimes unreasonably demanding and insist on consistently high quality standards, trading with them must still be profitable. Furthermore, in contrast to the great majority of British businesses today, the supermarkets have never stopped expanding and even now are growing, which should mean that their suppliers too will be able to produce and sell more – quite a consideration in a climate of over-production and cutbacks.

It is estimated that between them J. Sainsbury, Tesco, Marks and Spencer, Asda, together with its subsidiary Gateway, and the Argyll group, which owns Presto and Safeways, already account for 60 per cent of the food consumed in the UK. And, as everyone who has driven across the country recently will be aware, every town big enough to have a bypass has either got or will soon have one or two massive out of town supermarkets to choose from as the big five compete for the nation's housekeeping budgets.

It seems inevitable that the supermarket's share of UK food retailing will continue to rise at the expense of village stores and corner shops. Moreover, for a few years now business analysts have been suggesting that it would be financially logical for the big five supermarket chains to become the even bigger three. Such speculation inevitably raises fears of monopoly trading among consumers as well as suppliers.

It has now emerged, however, that at least one of the major retailers, the Argyll group, has been conscious of such fears for some time and has taken steps to demonstrate its sense of responsibility. That anyway is the implication I draw from the recent publication of an Argyll-sponsored report on product sourcing in the food supply chain.

Conducted by researchers at Stirling University over a period of three years the document seeks to identify opportunities for British food producers and in so doing to analyse why such large quantities of food products on Britain's supermarket shelves are imported from countries with no apparent difference in land or climate.

The investigation is made the more pertinent by the announcement of the promotional quango Food From Britain recently that the UK's food and drink trade gap last year was at a record level and that it was now the sector with the largest deficit. Of the £5.1bn trade gap recorded for food in 1990 about £2.7bn was spent on products for northern European countries with similar weather and product mixes to those of the UK – products which could, and FFB says should, have been produced at home.

So what was the reason for this worsening UK performance? The Stirling University team appeared to pose as many questions as it did answers. It identified the fragmented nature of much of the UK food trade compared with the more co-ordinated approach of most of our European competitors and by implication advocated more producer co-operatives.

There was a need for retailers to be even more innovative, the report implied, both in the origination of food product ideas and in the co-ordination of supplies. The report also suggested, again more by implication than by positive proposal, a greater role for government in stimulating responses to opportunities.

Mr John Gummer, the UK Minister of Agriculture, clearly took this aspect seriously and has asked Mr David Curry, his Minister of State, to conduct a ministerial review on how best his department could help producers, manufacturers and retailers of food to ensure that British consumers bought more British food.

Generally speaking the Argyll report said both quality and service by British food suppliers were acceptable. "But overseas suppliers were able to replicate those standards. . . so UK suppliers have to offer something more." Quite how that was to be achieved was not clear. I cannot help wondering whether a trip to the Canary Islands to buy potatoes for instance might not sway the buyer more than one to south Wales or Cornwall, given identical quality and price.

Be all that as it may, it is understood that Mr Alistair Grant, chairman and chief executive of Safeways, has written to the bosses of the other major chains with a view to arranging a meeting to discuss ways in which they might all buy a bigger proportion of their food products at home. In doing so he conceded that of the £241m worth of imported goods sold in his company's stores in 1989 £136m worth came from countries with similar climatic conditions to the UK.

Nevertheless Mr Grant has taken a unique initiative and farmers will wish him well. They will, however, be mindful of the statutory duty of supermarket bosses to maximise profits for their shareholders. They have been well aware in recent years of the intense competition between the big five to make the biggest return on capital and they are not naive enough to believe that this will change significantly. But they will hope that this apparent new mood of co-operation with food producers will provide them with more opportunities and perhaps a little less aggro from supermarket buyers in the future.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,700-1,760 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.65-2.90 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 1.60-1.85 (1.60-2.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 13.70-14.10 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76-lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.50-2.55 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 48.50-55 (45-51).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.55-2.65 (2.55-2.70).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.50 (same).

LME WAREHOUSE STOCKS
(As at yesterday's opening)
tonnes

Aluminium	+1,825	to 329,675
Copper	+2,625	to 213,925
Lead	−850	to 70,525
Nickel	−162	to 5,076
Zinc	+2,325	to 63,325
Tin	−285	to 18,225

WORLD COMMODITIES PRICES

MARKET REPORT

Trading on most markets was quiet after the Easter holiday. Silver rose sharply on the London bullion market after Monday's rally on Comex. Gold closed slightly ahead after a quiet day following dollar fluctuations. On the LME copper was also dominated by currency factors. Zinc prices closed firmer on renewed buying and short covering which developed on a lack of follow-through to the morning's late burst of selling. Traders said an early rise to $1,195 a tonne for three-month metal followed news that talks between Curragh Resources and its Faro, Yukon, miners will be the last before the union can legally strike from Friday. But active selling from one quarter during the official rings erased some of the gains. Tin closed above 17-year lows struck in the afternoon as weak fundamentals continued to undermine confidence. London robusta coffee closed at the day's lows in thin volume of just over 1,000 lots. "As long as we hold above £600 a tonne in near May, prices should remain reasonably steady," one trader said. "However, a fall below this could see a further drop of £25." New York arabicas were easier by midday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.35-4.50u	-.125
Brent Blend (dated)	$17.55-7.70	-.175
Brent Blend (May)	$18.00-8.05	-.15
W.T.I. (1 pm est)	$19.55-9.60u	-.10
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$234-237	-4
Gas Oil	$171-172	
Heavy Fuel Oil	$68-70	
Naphtha	$175-177	-3.5
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$357.75	+1.90
Silver (per troy oz)♣	404.00c	+20.4
Platinum (per troy oz)	$394.00	+1.60
Palladium (per troy oz)	$91.50	+0.25
Aluminium (free market)	1425	+10
Copper (US Producer)	110½c	-¼
Lead (US Producer)	35⅞c	-14½
Nickel (free market)	427c	+7
Tin (Kuala Lumpur market)	14.80r	
Tin (New York)	264.0c	-1.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.28p	+2.34*
Sheep (dead weight)†	204.67p	+4.83*
Pigs (live weight)†	84.15p	-0.99*
London daily sugar (raw)	$225.6q	-1.20
London daily sugar (white)	$300.5q	-0.50
Tate and Lyle export price	£236.5	-2.50
Barley (English feed)	£122.5w	
Maize (US No. 3 yellow)	£175	
Wheat (US Dark Northern)	£94.5	
Rubber (May)♥	61.50p	-0.50
Rubber (Jun)♥	62.25p	-0.50
Rubber (KL RSS No 1 Apr)	227.5m	
Coconut oil (Philippines)§	$340.0s	+17.5
Palm Oil (Malaysian)§	$325.0q	+5.0
Copra (Philippines)§	$227.5t	
Soyabeans (US)	£156.0	+2.5
Cotton "A" index	83.40c	+0.45
Wooltops (64s Super)	338p	+4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Apr/May t-Jun. w-Apr u-May. x-Apr/Jun. s-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	202.20	198.40	202.20 198.80
Aug	201.40	198.40	201.40 198.20
Oct	197.40	196.00	197.40 195.40
Mar	190.00	188.00	190.00 188.00
May	191.00	187.60	188.00
White	**Close**	**Previous**	**High/Low**
May	299.2	297.9	299.2 295.5
Aug	293.5	294.9	293.5 291.0
Oct	288.0	286.9	283.5

Turnover: Raw 952 (651) lots of 50 tonnes. White 2167 (1023)
Paris- White (FFr per tonne): May 1690, Aug 1675, Oct 1518.

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
May	17.90	18.17	18.05 17.60
Jun	17.86	17.92	18.00 17.60
Jul	17.95	17.91	17.98 17.70
Aug	17.76	18.02	17.85 17.73
Sep	17.82		18.00 17.80
IPE Index	17.82	18.12	

Turnover 9815 (10393)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Apr	166.50	167.00	167.00 164.00
May	162.50	162.75	163.00 159.50
Jun	160.25	160.75	161.00 158.00
Jul	161.50	161.00	162.00 159.00
Aug	162.75	163.00	164.00 160.50
Sep	163.75	165.00	165.00 162.00
Oct	175.00	167.00	167.00

Turnover 2136 (16412) lots of 100 tonnes

COTTON
Liverpool–Spot and shipment sales in Liverpool for the week ended 28 March amounted to 124 tonnes, against 100 tonnes in the previous week. Sales were at a low ebb, mainly in Russian and Israeli styles.
JUTE
March/April, C and F Dundee, BTC $515, BWC $535, BTD $470, BWD $465. C and F Antwerp, BTC $505, BWC $505, BTD $460, BWD $460.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	684	681	685 677
Jul	708	707	711 704
Sep	728	729	733 727
Dec	755	755	760 753
Mar	779	777	782 775
May	796	795	798 794
Jul	815		819 814

Turnover: 2333 (5822) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 28 869.72 (869.68) 10 day average for Apr 1 875.65 (877.45)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
May	605	620	620 604
Jul	618	633	630 616
Sep	631	644	638 630
Nov	646	659	652 645
Jan	662	672	666

Turnover: 1981 (10886) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 28: Comp. daily 73.74 (73.25). 15 day average 72.41 (72.35)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	115.0	113.0	112.0 107.5
May	141.9	141.8	141.5 138.5
Oct	85.0		85.0
Mar	127.0	123.0	126.0
Apr	128.0	125.0	130.0 126.0

Turnover 255 (325) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	119.00	117.00	119.00 118.50
Aug	121.50	119.50	121.50 121.00
Oct	126.50	124.00	126.50

Turnover 130 (137)lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Apr	1446	1435	1446 1435
Jul	1107	1105	1105 1100
BFI	1599	1609	

Turnover 32 (87)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	137.20	135.40	137.20 136.30
Jun	139.50	137.30	139.50 138.90
Nov	113.75	113.75	113.75
Barley	**Close**	**Previous**	**High/Low**
May	119.60	119.50	120.50 119.60

Turnover: Wheat 178 (303). Barley 37 (39).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	114.0		113.5
Jun	114.0	113.5	113.5
Aug	113.0	113.0	112.0
Sep	113.0	113.0	112.0
Oct	113.5	112.5	113.0

Turnover: 66 (45) lots of 3,250 kg

HGSB – London FOX

	Close	Prev.	High	Low	Vol
Indx	153.88	152.59			
Apr	154.00	152.20	154.00		74
May	153.60	152.20	153.60		46
Jun	153.80	152.80	153.80		80
Sep	153.40	152.80	153.40		130
Dec	153.80	153.00	153.80		60
Mar	153.80		153.80		80

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 20,408 lots
Cash	1433-4	1424-6		1423-4		
3 months	1463-4	1456-7	1473/1463	1454-5	1465-6	61,862 lots
Copper, Grade A (£ per tonne)						Total daily turnover 28,440 lots
Cash	1394-5	1403-5	1408/1395	1405-7		
3 months	1373-4	1385-6	1368	1384-5	1369-70	101,829 lots
Lead (£ per tonne)						Total daily turnover 1,762 lots
Cash	348.5-9.5	347-8	346/345.5	345.5-6.5		
3 months	359.5-60.5	359-60	361/356	357-8	361-2	14,304 lots
Nickel ($ per tonne)						Total daily turnover 2,289 lots
Cash	9110-30	9290-310	9210/9180	9200-10		
3 months	9100-10	9280-90	9400/9060	9190-200	9080-100	8,907 lots
Tin ($ per tonne)						Total daily turnover 1,071 lots
Cash	5445-55	5475-80	5460	5455-60		
3 months	5545-50	5570-5	5585/5530	5560-5	5540-60	5,520 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 7,606 lots
Cash	1210-2	1198-9	1203/1202	1202-3		
3 months	1188-90	1185-6	1195/1185	1186-7	1193-4	23,381 lots

LME Closing £/$ rate:
SPOT: 1.7655 | 3 months: 1.7397 | 6 months: 1.7188 | 9 months: 1.7045

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.50-358.00	
Opening	357.80-358.30	
Morning fix	357.90	203.362
Afternoon fix	357.50	202.837
Day's high	358.30-358.70	
Day's low	355.70-356.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.47	6 months	5.30
2 months	5.41	12 months	5.25
3 months	5.36		

Silver fix	p/fine oz	US cts equiv
Spot	224.65	393.50
3 months	231.60	399.70
6 months	237.85	406.10
12 months	239.80	420.05

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	359.00-360.00	203.75-204.25
Maple leaf	369.00-370.00	209.50-210.00
New Sovereign	87.50-88.50	49.70-50.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	May	Apr	May
1350	89	101	0	2
1450	1	27	12	27
1550	0	2	111	102
Copper (Grade A)	**Calls**		**Puts**	
2350	108	94	0	18
2450	13	37	5	60
2550	0	10	92	133
Coffee	**May**	**Jul**	**May**	**Jul**
550	58	80	3	13
600	23	46	18	31
650	6	28	51	61
Cocoa	**May**	**Jul**	**May**	**Jul**
650	83	110	0	1
700	38	69	5	3
750	10	38	27	12
Brent Crude	**May**	**Jun**	**May**	**Jun**
1800	52	75	35	83
1850				
1900	14	39	97	147

New York

GOLD 100 troy oz.; $/troy oz.

	Latest	Previous	High/Low	
Apr	359.0	360.4	359.5	358.1
Jun	360.9	362.4	361.6	359.8
Aug	364.0	365.5	364.7	363.5
Oct	367.2	368.8	367.2	367.2
Dec	370.5	372.2	371.2	369.8

PLATINUM 50 troy oz; $/troy oz.

	Latest	Previous	High/Low	
Apr	393.0	391.1	394.5	389.5
Jul	398.5	397.1	399.5	396.5
Oct	403.5	401.0	403.5	401.5
Jan	405.8	404.8	405.8	404.5

SILVER 5,000 troy oz; cents/troy oz.

	Latest	Previous	High/Low	
May	401.5	396.0	405.5	394.0
Jul	407.0	400.7	410.0	398.5
Sep	410.5	405.6	414.0	405.0
Dec	419.0	412.7	422.0	411.0
Mar	426.0	420.5	430.0	426.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Apr	109.60	105.15	109.50	107.30
May	109.55	106.30	109.70	107.45
Jun	108.35	105.70	108.35	107.40
Jul	107.80	105.00	107.80	105.80
Sep	106.60	104.00	106.60	105.40
Dec	105.00	102.65	105.00	104.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	19.56	19.29	19.72	19.18
Jun	19.48	19.20	19.63	19.11
Jul	19.37	19.12	19.50	19.05
Aug	19.37	19.09	19.40	19.00
Sep	19.32	19.09	19.40	19.16
Nov	19.37	19.15	19.38	19.10
Dec	19.38	19.19	19.41	19.14

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5475	5401	5478	5425
Oct	5570	5496	5580	5545
Nov	5850	5591	5660	5645

COCOA 10 tonnes;$/tonnes

	Latest	Previous	High/Low	
May	1145	1134	1146	1130
Jul	1174	1166	1175	1164
Sep	1205	1196	1206	1198
Dec	1240	1229	1240	1233
Mar	1265	1261	1270	1260
May	1285	1287	1286	1285

COFFEE "C" 37,500lbs; cents/lbs

	Latest	Previous	High/Low	
May	93.60	95.10	95.10	93.40
Jul	95.80	97.25	97.20	95.80
Sep	97.70	99.25	99.00	97.70
May	106.00	106.00	0	0
Jul	107.95	108.75	0	0
Sep	110.00	108.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Latest	Previous	High/Low	
May	9.01	9.01	9.15	9.00
Jul	8.84	8.79	8.94	8.84
Oct	8.70	8.64	8.76	8.66
Mar	8.44	8.38	8.51	8.39
May	8.46	8.42	0	0
Jul	8.40	8.45	8.40	8.40

COTTON 50,000; cents/lbs

	Latest	Previous	High/Low	
May	84.10	83.82	84.50	83.44
Jul	84.40	84.11	84.60	83.86
Oct	73.45	73.55	73.75	73.15
Dec	69.15	69.48	69.35	68.97

ORANGE JUICE 15,000 lbs; cents/lbs

	Latest	Previous	High/Low	
May	116.10	118.05	118.05	115.50
Jul	116.60	118.10	118.35	116.00
Sep	117.00	118.10	118.70	117.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 2	Mar 28	mnth ago	yr ago
1739.8	1732.3	1701.4	1912.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 28	Mar 27	mnth ago	yr ago
Spot	124.84	123.64	124.87	132.38
Futures	129.22	127.90	129.77	132.42

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Latest	Previous	High/Low	
May	594/2	598/4	599/0	593/2
Jul	606/4	611/4	611/4	606/6
Aug	612/2	617/0	618/4	611/4
Sep	617/0	622/0	621/0	617/0
Nov	627/4	630/4	632/2	627/2
Jan	639/0	642/2	642/2	638/4
Mar	650/0	652/4	663/0	649/0
May	657/4	660/4	659/4	657/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Latest	Previous	High/Low	
May	21.74	21.96	21.98	21.67
Oct	22.50	22.55	22.58	22.44
Jan	22.80	22.82	0	0
Jul	23.20	23.05	0	0

SOYABEAN MEAL 100 tons; $/ton

	Latest	Previous	High/Low	
May	173.7	175.0	176.5	173.5
Jul	177.0	177.6	179.0	176.8
Aug	178.8	179.4	180.1	178.7
Oct	182.5	182.8	184.5	182.2
Dec	185.6	186.0	187.2	185.3
Jan	187.0	186.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Latest	Previous	High/Low	
May	256/6	257/2	257/4	256/2
Jul	263/6	264/6	265/0	263/4
Sep	263/6	264/2	264/6	263/4
Dec	263/6	264/4	266/0	263/4
Mar	270/6	271/6	272/0	270/4
May	276/0	276/4	277/0	276/0
Jul	279/0	280/0	280/0	279/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Latest	Previous	High/Low	
May	291/0	293/6	294/0	290/4
Jul	300/0	302/2	303/0	299/4
Sep	307/6	310/2	310/2	307/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Latest	Previous	High/Low	
Apr	82.55	81.90	82.70	82.15
Jun	78.15	77.72	78.37	77.75
Aug	75.27	74.95	75.35	74.95
Oct	76.60	76.37	76.80	76.45
Dec	76.70	76.42	76.87	76.45
Feb	76.47	76.20	76.52	76.20
Apr	76.50	76.30	76.70	76.50

LIVE HOGS 30,000 lb; cents/lbs

	Latest	Previous	High/Low	
Apr	53.70	52.97	54.25	53.50
Jun	58.55	57.82	59.07	57.85
Jul	57.67	56.72	58.10	56.97
Aug	54.75	53.92	55.05	54.10
Oct	49.10	48.35	49.35	48.65
Dec	48.60	47.87	48.80	47.72
Apr	46.20	45.80	46.90	45.90

PORK BELLIES 40,000 lbs; cents/lb

	Latest	Previous	High/Low	
May	66.10	66.67	66.80	65.95
Jul	66.95	65.52	67.45	65.55
Aug	64.70	63.32	65.32	63.40
Feb	61.60	60.00	61.80	[illegible]

LONDON STOCK EXCHANGE

Futures encourage strong equity rise

A SHARP rise in UK equities yesterday surprised some investors but appeared to leave experienced market traders unconvinced of its underlying strength at current levels. A turnround of nearly 50 points left the FT-SE Index a net 31.8 ahead; trading volume was relatively poor, however, and the stock market was led from the futures sector where the new contract on the Footsie Index opened at a substantial premium.

Currency factors also played a part in the advance, with the continued firmness in sterling underpinning hopes in the market that a further half point cut in domestic base rates will not be long delayed. But interest rate optimism was restrained by nervousness over German rates ahead of tomorrow's executive meeting at the Bundesbank.

Account Dealing Dates		
*First Dealings:		
Mar 11	Apr 2	Apr 15
Option Declarations:		
Mar 27	Apr 11	Apr 25
Last Dealings:		
Mar 28	Apr 12	Apr 26
Account Day:		
Apr 8	Apr 22	May 7

*New-time dealings may take place from 8.30 am two business days earlier.

The latest survey of business opinion by the Confederation of British Industry, indicating that the recession in the British economy could be over the worst, also helped sentiment in equities.

However, the London market opened sharply lower, contrasting with firmness in other European markets which appeared less upset by the overnight fall of 32 Dow points on Wall Street. Although there was little selling, the loss on the Footsie was quickly extended to nearly 18 points.

The picture changed dramatically when the stock index futures market opened, and the FT-SE June contract came in at a strong premium against the cash market. One London-based house bought the futures, and equities quickly moved up in the wake of a premium on the contract which eventually ranged to around 17 points above fair value.

Marketmakers in FT-SE 100 stocks were caught short of stock, having taken the view that the market would rest on its first quarter laurels while it waited for the April 5 year-end to pass. The end of the tax year could, however, prove a trap for the unwary, since some tax loss trading was brought forward early this year because of the sharp rise in the market.

The equity market yesterday was soon ahead by 30 Footsie points and, after pausing briefly ahead of the opening of the new session on Wall Street, closed near the day's peak, helped in late trading by an early gain of 19 points on the Dow Industrial Average.

The final reading showed the FT-SE Index at 2,488.3, just below the day's best, for a net gain of 31.8. Trading volume as measured through the Seaq electronic network was a healthy 547.8m shares, compared with 546m in the last pre-Easter session. However, these totals combine retail interest and intra-dealer business, and yesterday's total took in a significantly increased proportion of inter-dealer trade. It was also swollen by a substantial placing of shares in Saatchi and Saatchi, the advertising group.

The gain in market indices may have been a misleading measure of a trading session described as "pretty uneventful" by the leading trader of one leading UK securities house. Many City professionals, particularly on the fund management side, stayed at home yesterday, having completed window dressing for the 1991 first quarter before the Easter holidays.

Institutional investors sound more cautious on prospects for the second quarter of the year. At Barclays de Zoete Wedd, Mr Richard Kersley calculated that, to beat the available return on cash, equity investors now have to be confident of seeing the Footsie above 2,650 by the year-end.

Saatchi residue placed

VOLUME IN Saatchi & Saatchi nil-paid stock ballooned just before the close as the rump of the company's rights issue was placed. Traders said the nil-paid residue of the rights – with 10p per share still to be paid – was sold at "more than 5.8p a share". Business in the underlying stock was also brisk. Saatchi recovered from early weakness to close ¼ better on the day at 16¼p.

The nil-paid mid price had retreated early in the day to 5¼p, the price which many had expected the rump to fetch. As the auction proceeded and word spread that a bid of 5.8p from one fund was said to have failed, the price recovered to 6¼p, unchanged on the day. Final volume was 123m, of which 80m was accounted for by the rump through the Seaq ticker's double counting, while 20m of the underlying shares were traded.

There was heavy trade before the placing was completed. It was said by marketmakers to have been selling by institutions to brokers. That business was at between 4¾p and 5½p, including a block of 8.6m at 4¾p.

The rump of 40m shares arose because difficulties in complying quickly with US securities laws meant that US holders of Saatchi shares were not offered the opportunity to take up the rights issue. The seven-for-12 at 10p issue, raising £55m, was part of the company's restructuring approved at an extraordinary general meeting last Wednesday.

Oils retreat

The oil sector was one of the few areas of the market which failed to attract buying enthusiasm, with many of the leaders either marking time or slipping easier.

The exploration and production sub-group showed strong underperformance after Strauss Turnbull Société Générale, the stockbrokers, reaffirmed its bearish stance. Strauss, pointing to the poor performance of crude oil prices since the turn of the year, said they remained "very bearish on the oil sector" and maintained that oil issues are still overvalued.

Strauss stressed its pessimistic views on the exploration and productions stocks, especially Lasmo, which ran back 7 to 347p on turnover of 1.6m.

The broking concern is also unhappy about prospects for BP, which settled a fraction off at 338p on 3.2m shares. Shell failed to register any progress, closing unchanged at 488p.

Ultramar, depressed late last week by worries about falling gasoline margins and bearish noises on the stock from some of the big UK securities houses, rallied 5 to 322p, helped by a positive rating by County NatWest.

Pilkington falls

Cautious comments from analysts subdued Pilkington, the UK glass leader, which announced yesterday a reorganisation of its Australian glass interests.

A sector researcher said information gleaned from US and Continental glass majors pointed to a "severe situation" in the industry worldwide. He believed Pilkington would be caught in the downturn and reduced his profits estimate for the year just ended to £144m, from £155m.

Pilkington is selling its Australian retail and windscreen business to O'Brien Glass Industries and buying the latter's commercial glass distribution arm. The net cost to Pilkington will be £13.3m. The shares moved against the wider trend yesterday to close 3 lower at 185p.

Inchcape responded to a higher than expected dividend and a reasonably confident view of prospects – annual profits of £174m were in line with market estimates. Analysts were generally impressed with the group's performance, although most of the features on show were present at the half-way stage.

Several houses marginally raised profits forecasts for the current year, including Hoare Govett. Researcher Mr Richard Workman now expects Inchcape to make £180m and increase the dividend further to 12.3p per share. The stock finished 13 up at 319p.

Bank shares moved ahead across a broad front, with dealers citing a stock shortage and recovery hopes behind the revival in the sector. Barclays caught the eye, closing 15 higher at 457p on pretty thin turnover of 1.6m shares. NatWest, where 2m were traded, moved up 13 to 338p.

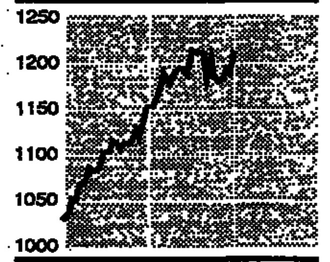
Abbey maintained its recent strong showing, closing a further 6 ahead at 278p on 2.5m, while TSB fought valiantly to shake off the effects of last week's profits warning and settled a shade firmer at 149½p after keen turnover of 5.9m. Royal Bank of Scotland, upset of late by recent profits downgrades, rallied 7 to 195p.

S.G. Warburg was outstanding in the merchant banks, with the group's pre-eminent position in the sector triggering suggestions that the bank may eventually emerge as a prime takeover target for one of the big US banking institutions.

Concern over prospects for Vickers' defence and luxury car businesses pushed the shares lower in brisk trading ex the dividend payment.

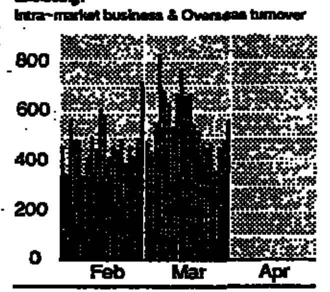
Mr Alasdair Stewart of Nikko Securities labelled the stock a sell back in February. He said yesterday a firm order for Challenger 2 tanks is needed, otherwise the group could be forced to announce redundancies. He also felt there was bad news to come on Rolls-Royce Motors. Vickers ended 4 down at 283p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



There was substantial switching activity between British Telecom and Cable and Wireless after the latter announced it was cutting its UK long distance call charges. BT shares, after some strong buying interest, gained 9 to 349p on turnover of 5.6m shares, while Cable settled 8 lower at 515p.

One telecoms specialist said the market was catching up on the fact that Mercury was "finding the rebalancing of its businesses, compared with those of BT, rather painful".

The Racal twins made good progress, still buoyed by vague talk that a pre-break up bid for Racal Electronics may emerge. Electronics settled 6 better at 220p while Telecoms closed 5 up at 367p.

Takeover speculation boosted SD-Scicon 5½ to 35p. British Aerospace has a 25 per cent stake in SD-Scicon, while a further 15 per cent is held by a large UK fund management group.

A bid from French group Cap Gemini Sogeti has been rumoured to be on the cards for a number of weeks.

Investors began looking ahead to the interim results from aerospace and defence group Smiths Industries, due today week, and the shares moved ahead 10 to 285p in relatively good volume of 1.9m.

A report that Hoechst, of Germany, intended to sue over a patent unsettled Allied Colloids, which finished 6 cheaper at 151p.

United Biscuits climbed 11 to 390p ex-dividend as Mr Mark Lynch at S.G. Warburg, the company's broker, issued a buy note on the stock.

Mr Lynch argues that the company is making its hoped for inroads into European markets outside the UK and that there are many opportunities for acquisitions in the rest of the European Community. He increased his current year profits forecast by £10m to £235m and changed his recommendation from add to buy.

Quarto, the book and magazine publisher, advanced 14 to 119p as buyers moved in on news of a 4 per cent improvement in full year profits to £4.1m. Marketmakers said the rise was exaggerated by a lack of liquidity in the stock.

Pearson slipped 5 on news that the Dutch publisher Elsevier is to sell its 8.8 per cent stake in the company. The shares recovered in the rising market to end a net penny off at 769p. Turnover was thin. In Amsterdam, Elsevier shares gained ground in a lacklustre local market.

International auction house Sothebys Holdings, quoted in London and New York, reported 1990 fourth quarter net income of $27.7m (£15.7m), down from a restated $61.5m a year earlier.

The company said it expected its results for the first half of 1991 to be "significantly lower" than the $70.3m of the previous year, and the ever-volatile 'A' shares dropped 75 to 800p.

■ Other Market statistics, including the FT-Actuaries share index, Page 24

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (162).
BRITISH FUNDS (8) Treas. 2½pc IL 2001, Treas. 2½pc IL 2003, Treas. 2pc IL 2006, Treas. 2½pc IL 2009, Treas. 2½pc IL 2011, Treas. 2½pc IL 2013, AMERICANS (7) Amdahl, Bowater Inc., California Energy, Data Gen., Hasbro, Unilab, Whirlpool, CANADIANS (5) Central Cap. A, Gulf Can., Hawker Siddeley Can., Inco, Royal Bk. of Can., BANKS (3) ABN Amro, Bk. of Scotland 9¾pc Prf., Ottoman, BREWERS (5) Fuller S.T.A., Grand Met., Guinness, Do. 5¾pc Cnv. Prf., Do. 8¾pc Cnv. Ln., Wolv. & Dudley, BUILDINGS (7) Beazer, Bett, Birse, EBC, Gleeson (M.J.), Sharpe & Fisher, Ward, CHEMICALS (4) Akzo, STP, Jeyes, Porvair, STORES (3) Coats Viyella, Sherwood, Wickes, ELECTRICALS (8) Ambassador Sec., BICC, Druck, Johnson Electric, MMT Computing, MTL Instrs., ENGINEERING (4) Chamberlin & Hill, Chemring, Haden MacLellan, Senior Eng., FOODS (18) Brake Bros., Cadbury Schweppes, Dairy Farm, England (J.), Nestle (Br), Shoprite, Sims, Tesco, Thorntons, Utd. Biscuits, HOTELS (1) Friendly Hotels, INDUSTRIALS (33) Alumasc, Amer Free A, BSS, Bodycote, Bowater 7.75pc Cnv. Prf., CMB Packaging, CRT, Channel Express, Elan, Elga, Flexello C & W, Glaxo, Hutchison Whampoa, Jardine, Le Creuset, Lionheart, Office & Elect., PCT, Pathfinders, Portmeirion Potts., Reliance Sec., Sanders & Sidney, Soapa, SmithKline Beecham A, Smiths Inds., Somic, Spring Ram, UDO, Unilever, Do. N/V, Wheatman, Wiltaire Cnv. Rd. Prf., Wilton, INSURANCE (3) Archer (A.J.), PSD, Oriel, LEISURE (3) Airtours, Euro Disney, First Leis., MOTORS (1) FR, NEWSPAPERS (3) BPP, Maxwell Comms., Quarto, PAPERS (5) Aegis, Do. 9¾pc Prf., Fitch RS, Gold Greenlees, SCA B Free, Watmoughs, PROPERTY (3) EDA, McKay Secs., Rowlinson, SHOES (2) FR, Futura, TEXTILES (2) Leeds, Tootal, TRANSPORT (2) Clarkson (H.), Hays, TRUSTS (36) Archimedes Cap., Cons. Venture 120 Wrrnts., Drayton Asia, Drayton Far East Wrrnts., EFM Java, Edinburgh Fd. Mngrs., English & Scot., Exmoor Dual Zero Prf., Fidelity Japan OTC & Res., Fleming [illegible] Wrrnts., Malaysian Emrg., Martin Currie, Mediterranean Fd., Moorgate Wrrnts., Pacific Assets., Do. Wrrnts., SPRAIT 6.8pc-13.5pc. Cm. Ptg., Scot. Cities A, Scot. Natl. Steppd. Prf., Do. Zero Div. Prf., TR Tech. Zero Prf., Templeton Emrg. Mkts., Do. 1pc Cnv. Uns. 2001, Throgmorton Dual Inc., Tor Inc., OILS (3) Buis res., LASMO 9¾pc Cm. Prf., Pittencrieff, MINES (4) Bormin Expl., Kenmare, Normandy Res., Burmin Expl.
NEW LOWS (28).
AMERICANS (1) Utilitech Inc., CANADIANS (1) Granges Expl., BANKS (1) Ansbacher (H.), BUILDINGS (1) Cooper Clarke, STORES (1) Automagic, FOODS (1) Lees (J.J.), INDUSTRIALS (5) Antares, Brompton, Hay (N.), Nu-Swift, SEP Intl., Spear (J.W.), Wyndham, PAPERS (1) Unit, PROPERTY (4) Anglo-Park, Cussins, Hardanger, Waterglade, TRUSTS (1) Renaissance, MINES (5) Anglo Pacific, East Rand Prop., Harmony, Randfontein Ests., Stilfontein, Young.

FINANCIAL TIMES STOCK INDICES

	Apr 2	Mar 28	Mar 27	Mar 26	Mar 25	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.09	85.03	84.80	84.57	84.51	78.82	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.60	94.53	94.45	94.04	94.06	88.02	94.60 (2/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1965.9	1953.9	1985.9	1943.2	1930.5	1761.3	1996.5 (14/3)	1608.3 (16/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	139.2	138.4	139.0	141.1	145.9	256.5	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2488.3	2456.5	2464.6	2437.6	2431.9	2240.7	2500.6 (14/3)	2054.8 (16/1)	2500.6 (14/3/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1155.85	1137.08	1136.83	1121.76	1120.73	-	1155.85 (2/4)	938.62 (16/1)	1155.85 (2/4/91)	938.62 (16/1/91)
Ord. Div. Yield	4.88	4.94	4.91	4.98	5.01	5.07				
Earning Yld %(full)	8.80	8.94	8.90	9.02	9.19	12.07				
P/E Ratio(Net)(*)	14.00	13.78	13.84	13.67	13.42	10.02				
SEAQ Bargains 4.45pm	39,408	44,540	42,945	40,662	38,884	35,264				
Equity Turnover(£m)	-	1036.03	893.52	1003.88	768.35	1007.10				
Equity Bargains	-	48,893	43,611	41,187	41,068	39,241				
Shares Traded (mil)	-	566.2	492.6	455.7	382.4	521.4				

Ordinary Share Index, Hourly changes — Day's High 1987.1 — Day's Low 1943.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1944.0	1949.4	1956.7	1973.7	1972.5	1973.3	1977.8	1983.0	1983.8

FT-SE 100, Hourly changes — Day's High 2488.6 — Day's Low 2438.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2440.2	2446.0	2455.1	2474.8	2473.3	2473.4	2478.2	2482.3	2483.6

FT-SE Eurotrack 200, hourly changes — Day's High 1156.29 — Day's Low 1146.01

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1146.10	1147.95	1152.60	1152.54	1154.39	1153.91	1154.74

[illegible]

GILT EDGED ACTIVITY

Indices*	Mar 26	Mar 27
Gilt Edged Bargains	83.0	83.9
5 – Day average	91.1	95.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
British Land	304	289	+4	Inchcape	371	319	+13	Rolls Royce	793	165	+3	Utd. Newspapers	372	365	+8
BP	3,200	338	-1	Kingfisher	612	454	+2	Rothmans	180	840	+22	Water Package Uts.	0	C258	+35
British Steel	4,500	146	+5	Ladbroke	2,300	286	+8	Ryl Bk Scotland	1,000	195	+7	Wellcome	417	530	+16
British Telecom	5,600	349	+9	Land Securities	289	642	+5	Royal Insurance	678	455	+13	Welsh Water	595	336	+5
Bunzl	4,000	97	+2½	Laporte	65	688	+5½	Saatchi	20,000	16¼	+¼	Wessex Water	146	358	+3
Burmah Castrol	1,700	688	+4	Legal & General	821	457	+4	Sainsbury	713	350	+6	Whitbread 'A'	844	485	+1
Burton	1,700	101	+3	Lloyds Abbey	453	425	+2	Scottish & New.	573	380	+6	Wiggins Teape	1,100	217	+2
Cable & Wire.	2,600	515	-8	Lloyds Bank	1,800	343	+7	Sears	2,400	81	+3	Williams Hldgs.	3,700	291	+6
Cadburys	1,100	391	+7	LASMO	1,700	347	-7	Sedgwick	3,300	273	-1	Wills Corroon	709	314	+3
Calor Group	645	218	+3	London Elect.	286	173		Seeboard	62	171		Wimpey	672	218	+2½
Carlton Comms.	405	463	+2	Lonrho	2,300	259	+3	Severn Trent Water	924	278	+2	Yorkshire Elect.	310	197	
Coats Viyella	1,700	158	+7	Lucas	671	165	+6	Shell Transport	1,100	487	-1	Yorkshire Water	367	318	+5
Comm. Union	121	521	+12	MB Caradon	1,300	205	+4	Siebe	1,300	437	+16				
Cookson	2,000	122	-6	MEPC	130	525	+5								
Courtaulds	1,100	400½	+5½	Manpower	36	72	+1	Slough Ests	497	245	+6				

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Thursday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

THE derivatives market returned to centre stage yesterday, when the newly quoted June contract on the FT-SE Index moved to a strong premium and brought the underlying equity market with it. Barclays de Zoete Wedd, acting for a large institutional client, was believed to be responsible for a 20 per cent slice of the day's turnover of just over 4,000 contracts.

The contract moved to a premium of around 50 points (some 10 points against fair value) almost as soon as trading opened, and the premium was quickly extended. BZW appeared to be a buyer all the way from 2,518 to 2,530, and the cash market moved up sharply in response.

At the official close, the June contract showed a premium of 17 points to the estimated fair value, allowing for financing costs and dividend flows. Although the premium was trimmed in late dealings, support remained very firm.

In traded options, volume was down to 16,146 contracts from the 25,285 of the last pre-Easter session. Among the day's highlights were Cable and Wireless, which topped the actives list with 1,161 contracts, of which 556 were calls; the July 550 calls were busy at 287p. Contracts in Trusthouse Forte were also active, with the 1,111 total comprising 1,036 calls; the June 260 calls were traded heavily at 750.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]						

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS – Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS – Contd

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
48¾	37⅜	CPC Intnl. 25c	46½xd	-1⅜	$2.00	–	2.4
717p	420p	California Engy	717p	+9	–	–	–
[illegible]							

CANADIANS

Continued on next page

APPOINTMENTS

Chairman of Nestlé company

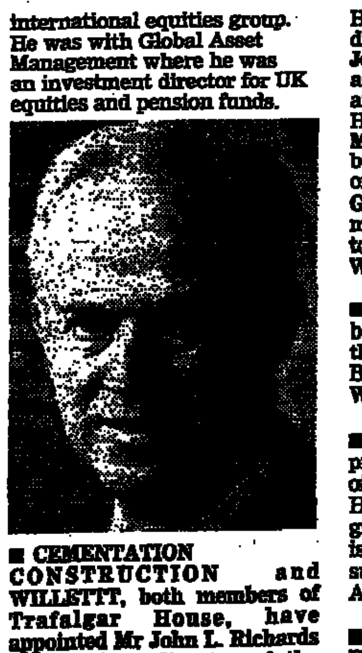
■ Mr Peter Blackburn has been appointed chairman and managing director of Nestlé Holdings (U.K.) succeeding Mr Frank Edwards who has retired. Mr Blackburn is responsible for all Nestlé operations in the UK. He was previously chairman of Rowntree Mackintosh Confectionery and head of the Nestlé worldwide chocolate strategy group at Rowntree headquarters in York.

■ Mr John de Carle has been appointed to the main board of MORGAN-GRAMPIAN, which was restructured last month to bring together United Newspapers' core business publishing activities.

As managing director he will head Benn Business Publishing, one of the two main operating companies under the new M-G banner; the other is Morgan-Grampian Business Publishing.

Benn Business Publishing now includes Benn Publications, M-G (Professional Press), Spotlight Publications and Business Information Services.

■ Mr Julian Chillingworth has joined BANKERS TRUST INVESTMENT MANAGEMENT as a director of UK equities, in the international equities group. He was with Global Asset Management where he was an investment director for UK equities and pension funds.



■ CEMENTATION CONSTRUCTION and WILLETT, both members of Trafalgar House, have appointed Mr John L. Richards *(pictured)* as director of the north-west regional office, Manchester. He was managing director of Metsec.

■ Mr Jack Shaw has been appointed chairman of THE SCOTTISH AMERICAN INVESTMENT COMPANY (Saints) in succession to Sir Hew Hamilton-Dalrymple who has retired. Sir Hew was re-elected as a non-executive director.

■ Mr Peter Price, chairman and managing director of HEWETSON, has become chairman and chief executive. His role as group managing director has been taken by Mr John Hewitt, hitherto group assistant managing director, and managing director of Hewtson Floors. Mr Alan Marsh and Mr Terry Newman become managing directors of Hewetson Floors. Mr Geoffrey Mortimer, production manager, has been promoted to the board of Bennett Windows.

■ Mr F.C.L. Timmerman has been appointed manager of the London office of BELGOLAISE succeeding Mr W.A. Page who is retiring.

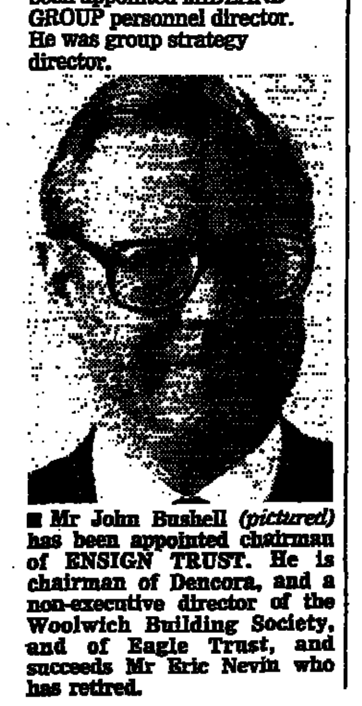
■ Mr David Brown has been promoted to the main board of SAVE & PROSPER GROUP. He is responsible for the group's Edinburgh office, and is managing director of subsidiary Hexagon Administration Systems.

■ Following the merger of Evered and Bardon Group to form EVERED BARDON, Mr Stuart Lamb, a group director, becomes chief executive of the US division based in Virginia. The group's merged interests have been organised into four regions. Mr Mike Wallis, who was US chief executive officer, has resigned from the group.

■ Dr Richard Summers has been appointed a director of 3i GROUP. As the member of the executive committee responsible for systems, administration and control, he will also assume responsibility for compliance issues. Mr Donald Clarke, former finance director, has retired. Mr Ewen Macpherson became managing director (finance and planning) in succession to Mr Clarke last July.

■ CADBURY SCHWEPPES has appointed Mrs Anna Vinton as a non-executive director. She is joint chairman and a founding partner of The Reject Shop.

■ Mr Christopher Wathen has been appointed MIDLAND GROUP personnel director. He was group strategy director.



■ Mr John Bushell *(pictured)* has been appointed chairman of ENSIGN TRUST. He is chairman of Dencora, and a non-executive director of the Woolwich Building Society, and of Eagle Trust, and succeeds Mr Eric Nevin who has retired.

LONDON SHARE SERVICE

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£11⅛	£9⅞	ABN Amro Fl5	£11⅛	+⅛	Q30%	♦	4.2	♦
151	121	ANZ SA1	148	−3	Q38c	1.9	11.2	4.8
279	211	Abbey National 10p	278	+6	9.5	q3.0	4.6	9.7
183	126	Allied Irish Ord	174	+3	‡Q40%	3.3	5.2	7.9
65	53	Anglo Irish	60	......	Q18.6%	2.3	7.0	7.9
60	38	Ansbacher (H.) 1p	38	−½	1.5	0.3	5.3	−
£95½	£42⅞	Bancaire Cie Fr100	£48½	......	Q15%	−	3.2	−
£17¼	£12¼	Banco Bilbao Viz	£17½	+⅜	Q49.1%	2.7	4.7	7.9
£29⅛	£21⅞	Banco de Santander	£29⅛	......	Q28.7%	2.3	4.1	10.2
208	139	Bank Ireland IrE1	199	+1	Q14.7%	2.9	6.6	7.0
£19½	£19½	Bank Leumi	£19½	......	−	−	−	−
350	350	Bank Leumi (U.K.)£1	350	......	16.0	−	6.1	−
145	111	Bank Scotland	140	+1	†4.55	3.4	4.3	8.9
110	96½	Do. 9¼pc Irrd Pf £1	105½	+½	9¼%	−	11.7	−
109	99½	Do. 9¾pc Irrd Pf £1	109	+1	9¾%	−	11.9	−
43	35	Bank of Wales	43	......	2.8	0.8	8.7	(20.7)
489	327	Barclays £1	457	+15	21.15	1.1	6.2	19.0
12	9	Benchmark 20p	10	......	0.75	−	10.0	−
245	195	Brown Shipley £1	245	......	‡12.0	2.2	‡	7.9
464	384	Cater Allen £1	461	......	F24.5	−	7.1	−
44	36	Chancery	36	......	‡9.0	2.7	‡	1.4
£18⅝	£15	Commerzbk DM10	£17⅞	......	Q18%	−	3.5	−
£231½	£191⅛	Deutsche Bk DM50	£208½	+2⅛	Q28%	−	2.3	−
£9⅛	£7⅛	Dai Ichi KBk Y50	£9¼	......	Q17%	6.2	0.3	46.1
£18½	£16¼	Espirito Santo	£18½	......	Q75c	5.1	2.3	8.6
213	152	First Nat. Fin. 10p	203	+2	13.0	1.2	8.5	(12.1)
110	78	FNFC 6.3pc Cr. Pf £1	106	+3	6.3%	−	7.9	−
1082	867	Fuji Bank Y50	1054	−18	‡Q17%	6.9	0.3	44.9
355	303	Gerrard & National	351	+1	19.0	−	7.2	−
78	50½	Guinness Mahon 10p	51	......	1.45	−	3.8	−
302	204	Hambros 20p	288	−1	‡11.5	−	5.5	−
125	90	Do. 7.5pc Cv Pf £1	117	+1	7½%	−	8.5	−
44½	29½	HK & Shang. HK$2.50	44½	......	Q38.18c	−	6.3	−
413	378	Joseph (Leo) £1	408	......	15.85	−	5.2	−
153	121	King & Shaxson 20p	153	......	10.25	−	8.9	−
377	249	Kleinwort Benson Grp	337	+12½	16.0	−	6.3	−
481	382	Kyowa Bk Y50	474	......	Q14%	3.8	0.6	44.8
379	268	Lloyds £1	343	+7	15.3	1.6	5.9	14.0

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
80	50	ABI Leisure 10p	80	.....	3.1	4.4	5.2	5.5
£7¼	£5¼	DAF N.V. Fl5	£7¼	+¼	–	–	–	–
10⅝	7⅝	General Mtrs Unit	10⅝	.....	Q12½%	–	6.4	–
14	9¼	March Group 5p	14	.....	B-	–	–	–
£133¼	£101¼	Volkswagen DM5	£122¾	+1½	Q22%	3.5	3.0	9.6
£29⅝	£18¾	Volvo AB 'B' Kr2	£29⅝	.....	Q62%	♦	4.8	♦

Commercial Vehicles

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
158	113	ERF (Hldgs) β	153	.....	†10.0	1.6	♦	9.3
73	48	Plaxton Grp. β	57xd	+½	4.5	♦	10.5	♦

Components

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
468	453	Abbey Panels	468	.....	3.5	10.8	1.0	12.4
140	123	Airflow Streamlines β	139	–1	6.0	3.0	5.8	7.7
147	140	Bostrom 5p β	143	.....	†5.75	3.1	5.4	6.5
196	145	Dowty 50p α	183	+6	†9.0	2.1	6.6	8.8
173	115	FR Group α	173	+2	6.37	3.1	4.9	8.8
120	69	Kwik-Fit Hld 10p α	108	.....	2.75	♦	3.4	♦
175	125	Lucas Inds. α	165xd	+6	7.0	2.2	5.7	9.3
36½	18	Do. Warrants α	33¼	+½	–	–	–	–
60	47	Mid-States 5p β	58	.....	s20.75	–	1.7	36.4

Garages and Distributors

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
24	14	Alexanders 5p β	20	.....	1.0	3.4	6.7	5.5
110	60	Appleyard β	96xd	+1	7.8	♦	10.8	♦
80	65	Blatchley Mr 20p β	80	.....	†7.5	1.9	12.5	5.7
403	358	Caffyns 50p β	363	.....	11.5	1.0	4.2	(33.1)
110	88	Central Motor Auctns. β	110	.....	3.5	2.7	4.2	10.5
36	15	Cook (D.C.) 5p α	25	+5	1.0	5.3	5.3	4.7

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
	60	Albany Inv 20p β	92	.....	3.4	4.9	108.5	15.2
	999	Alliance Trust β	1265xd	+2	40.0	4.2	1433.5	11.8
	125	American Trust α	170xd	+1½	4.7	3.7	193.5	12.2
	124	American Tst. "B" β	167½xd	–2	–	–	–	–
	212½	Anglo & O'seas Trust α	282	.....	6.15	2.9	323.5	12.8
	190	Archimedes Inc. β	235	.....	20.5	11.6	–	–
	265	Do. Cap. 50p β	343	.....	–	–	570.1	39.8
	90	BZW Conv. Inv Tst. 10p α	100½xd	+1	F7.95	10.5	99.1	–1.3

[illegible]

INVESTMENT TRUST—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
112	98	River Plate Inc. α	112	.....	8.47	10.1	–	–
69	51	Do Cap α	66	.....	–	–	149.4	55.8
18	15	Do Warrants α	17	+½	–	–	–	–
58½	55¼	Do Zero Div Pf γ	57¾	.....	–	–	–	–
236	189	St. Andrew Tst. β	234	.....	7.2	4.1	235.2	0.5
132	128	St David's Inv Tst Inc β	130	.....	†13.2	13.5	–	–
126	103	Do. Cap. β	124	+1	–	–	162.8	23.8
360	315	SPLIT Inc. 10p β	360	.....	†40.3	14.9	–	–

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
16	12	Aberdeen Pet 10p α	15	.....	–	–	–	30.8
8½	6½	AmBrit Intl. α	7½	+½	–	–	–	♦
40	29	Aran Engy 20c α	36		–	–	–	–
3½	3¼	Arrow Pet. 10c	3¼		–	–	–	–
6½	4½	Atlantic Res Inf.05 γ	5	.....	–	–	–	–
35	25	Atlantis Res	34	–1	–	–	–	–
16	10¼	Aviva Petroleum α	12		–	–	–	–
		For Barrack Energy see Arrow Petroleum						
25½	23	Blackland Oil 10p β	23½	–½	–	–	–	–

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
4	2½	Croesus Mining N.L.	3	.....	–	–	–
26	17	Delta Gold 25c	22	–1	–	–	–
37	28	Dominion Mining	35	.....	†Q4c	7.8	5.1
15	11	Doral Resources	14		Q1c	–	3.1
3	1½	Dragon Mining	2		–	–	–
28	20	Emperor Mines	25	–1	–	–	–
4	2	Endeavour 20c	4		–	–	–
30	19½	GM Kalgoorlie 5c	23½	.....	–	–	–
35	29	Gwalia Cons. 20c	33	–1	Q8c	1.6	10.6

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
10	3½	Thorco Res. Inc. ‡	7	+½	–	–	–
10	7½	Vizcaya Hldgs 5p β	7	.....	–	–	–
133	126	Young Group 10p β	126xd	–1½	5.2	♦	5.5

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- x Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ▩ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1 β	650	.....
Finlay Pkg. 5p β	31	.....
Holt (Jos) 25p β	1590	–20

IRISH

Stock	Price	+ or –
Cap. 8½% Ln 1991	£99⅝	.....
9pc Cap Ln. 1996	£97½	–½
Fin. 13% 97/02	£114½	–¼
Arnotts	175	.....
Carrol (P.J.)	154	.....
Helton Hldgs. γ	52	–3
IRG	160	.....
United Drug.	170	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met.	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Stock	p
Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Stock	p
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Stock	p
Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

ManuLife Group PLC (1200)H
St George's Way, Stevenage Dealings:071-256 5858

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	131.4	133.0	141.0	+0.5	3.95
Gilt & Fxd Int	5	142.6	142.6	149.5	+0.5	8.58
Int Growth	5¼	142.7	143.9	154.5	-1.4	0.41
North American ♥	5¼	88.79	88.79	94.45	-1.49	0.36
Far East	5¼	115.7	116.5	123.8	+0.1	0.00
UK Smaller Cos	5¼	109.7	115.0	123.4	-1.1	2.87
European	5¼	52.91	52.91	56.71	+0.75	1.08
Japanese Growth	5¼	37.58	37.58	40.05	+0.08	0.00
Managed P'folio	5¼	47.91	48.14	51.37	-0.16	1.73
High Income	5¼	148.5	150.3	159.9	-0.1	6.22
High Yielding Gilt	5¼	61.88	61.88	65.21	+0.14	9.79
Cash		50.11	50.11	50.11		11.90

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 680066

M & S-ley P'folio	5½	110.3	110.8	118.4	+0.5	3.96
Do Accum	5½	116.6	117.0	125.1	+0.5	3.96
UK Sel P'folio	5½	99.15	100.1	107.0	+0.5	4.43
Do Accum	5½	103.7	104.7	111.9	+0.5	4.43

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

Managed Tst	5	47.93	48.26	51.33		5.13

Martin Currie Unit Trusts Ltd (0905)H
48 Melville St, Edinburgh EH3 7HF Dlng 031-220 4924

Far East (Pacific)	5¼	96.85	96.85	102.8	-2.5	1.11
Income & Growth	5¼	61.10	62.13	65.95	-0.34	4.66
European (z)	5¼	54.44	54.44	57.79	-0.46	1.34
Nth American (z)	5¼	36.54	36.54	38.78	-1.82	1.35
Intl Growth (4-1)	5¼	62.08	63.37	67.27	-0.79	0.87
UK Growth	5¼	58.53	55.53	58.94	-1.47	2.43
Intl Income	5¼	47.39	47.97	50.92	-0.17	6.61
High Yield	5¼	45.18	45.85	48.67	-1.22	7.08
Charities	5¼	91.05	92.37	98.05	-0.42	5.71
Japan	5¼	39.88	39.88	42.33	-0.28	-

Matheson Unit Trust Managers Ltd (1200)H
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

UK Growth (4-1)	6	66.78	68.31	73.06	+0.28	3.38
UK High Income	6	34.76	35.31	37.76	+0.07	5.35

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

Exempt Unit Tst	4	116.01	116.01	123.64	+0.37	2.60
Exempt Smllr Cos	3¼	228.15	228.15	247.73	-0.17	1.40

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Acumen	5	67.17	67.77	72.33	-0.44	3.03
Acumen Reserve	3	62.84	62.84	64.72	+0.08	11.78
American Income	5	119.93	120.0	127.0	-3.00	3.43
Equity Income	5	83.27	83.27	88.07	-0.31	5.33
European	5	52.74	52.74	56.25	+0.48	1.85
Far Eastern	5	107.66	107.7	115.0	-2.00	1.56
Smaller Cos	5	44.84	44.84	47.86	-0.13	3.72
Olympiad	5¼	45.07	45.07	48.01	-0.18	1.20
Olympiad Income	5¼	42.31	42.31	45.16	-0.48	4.85
UK Growth	5	70.46	71.17	75.96	-0.42	1.59

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Avon Equity	6	90.64	92.23	98.12	+0.66	3.80

NM Unit Trust Mngrs (1200)H
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

American ♥	5½	31.27	31.37	33.46	-0.92	1.52
(Accum Units) ♥	5¼	33.46	33.58	35.81	-0.98	1.52
Australian ♥	5½	166.40	167.40	179.60	-1.10	3.06
(Accum Units) ♥	5½	186.30	188.60	202.30	-1.30	3.06
Conscience	5½	50.83	51.74	55.21	+0.11	1.41
(Accum Units)	5½	53.31	54.26	57.90	+0.11	1.41
European	5½	139.10	141.00	150.30	+0.40	1.04
(Accum Units)	5½	147.60	149.60	159.50	+1.30	1.04
Extra Income	5½	65.26	66.22	70.67	+0.17	8.66
(Accum Units)	5½	88.71	90.01	96.06	+0.64	8.65
Far East Gth Acc	5½	112.10	114.10	121.90	-0.60	0.26
Gilt & F.I.	5½	51.08	51.08	54.07	+0.17	9.27
(Accum Units)	5½	107.50	107.50	113.80	+0.40	9.27

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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Swiss Life Unit Tst Man Co Ltd (1200)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Equity Dist	5½	416.6	424.7	449.4	+1.90	3.74
Equity Acc	5½	579.4	590.6	625.0	+2.50	3.74
Fixed Int Dist	5½	112.8	114.9	119.1	+1.00	8.56
Fixed Int Acc	5½	240.0	244.5	253.4	+2.20	8.56
UK Index Track Dist	5	96.07	97.90	103.6	+0.60	4.26
UK Index Track Acc	5	101.3	102.3	108.3	+0.60	4.26

TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	132.15	132.61	141.07	-3.45	0.38
Do Accum	6	144.45	144.95	154.2	-3.78	0.38
TSB Brit Growth	6	72.36	73.61xd	78.3	+0.56	3.29
Do Accum	6	81.05	82.44xd	87.7	+0.63	3.29
TSB European	6	73.7	74.02	78.74	-1.08	1.13
Do Accum	6	76.37	76.71	81.6	-1.12	1.13
TSB Extra Income	6	161.17	164.68xd	175.19	+0.52	5.16
Do Accum	6	232.41	237.48xd	252.63	+0.76	5.16
TSB Smaller Cos	6	44.35	46.01xd	48.94	-0.17	2.46
Do Accum	6	46.93	48.69xd	51.79	-0.18	2.46
TSB General	6	224.69	226.44	240.89	-0.11	3.56
Do Accum	6	419.25	422.52	449.49	-0.21	3.56
TSB Premier Income	5	44.03	44.65	46.51	+0.15	8.74
Do Accum	5	78.79	79.92	83.24	+0.26	8.74
TSB Income	6	302.66	308.22	327.89	+1.33	4.86
Do Accum	6	562.64	572.98	609.55	+2.47	4.86
TSB Pacific	6	233.01	236.95	252.07	+0.35	0.42
Do Accum	6	242.45	246.55	262.28	+0.36	0.41
TSB International	6	390.34	391.99	417.01	-4.56	0.88
Do Accum	6	500.49	502.81	534.9	-5.84	0.88
TSB Nat Resources	6	62.53	63.65xd	67.71	-1	0.51
Do Accum	6	68.02	69.35xd	73.77	-0.8	0.31
TSB Specl Opps	6	78.57	80.37xd	85.49	+0.41	3.05
Do Accum	6	94.65	96.83xd	103.0	+0.5	3.05
Environmental Inv	6	46.46	47.29	50.3	+0.18	2.12
Do Accum	6	47.93	48.79	51.9	+0.19	2.12
TSB Selector	6	48.33	49.16	52.29	+0.17	3.8
Do Accum	6	49.8	50.66	53.89	+0.18	3.8
TSB High Income	6	50.87	51.96	55.27	+0.32	5.7
Do Accum	6	52.22	53.34	56.74	+0.33	5.7
TSB Intl Income	6	49.02	49.32	52.46	-0.06	6.77
Do Accum	6	51.09	51.39	54.67	-0.07	6.77
TSB Selector Income	6	50.6	51.21	54.47	+0.14	6.06
Do Accum	6	50.6	51.21	54.47	+0.14	6.06

Target Trust Mngrs Ltd (1600)F
The Exchange, 66 High Street, Aylesbury, Bucks. HP20 1SE
Admin. 0296 394000 Dealing: 0296 312156

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Eagle	5	75.86	75.86	80.92	-1.77	1.05
Australia	5	6.052	6.052	6.500	-0.154	1.85
Equity	5	164.0	164.0	175.8	+1.7	4.56
Euro Spec Sits	5	111.7	111.7	120.3	+0.7	0.57
Financial	5	29.65	29.65	31.91	+0.21	4.68
Global Opps Inc	5	66.08	66.08	70.98	-0.01	1.50
Global Opps Acc	5	67.51	67.51	72.52	----	1.50
Gold & Gen Inc	5	37.45	37.45	40.18	-0.35	1.37
Gold & Gen Acc	5	70.02	70.02	75.13	-0.59	1.37
Income	5	103.5	103.5xd	111.3	+1.1	5.90
Japan & General	5	133.4	133.4	143.4	+1.7	0.00
Preference Share	5	19.28	19.28xd	20.76	-0.21	11.22
UK Capital	5	87.45	87.45	93.96	+0.60	3.85
World Income	5	64.40	64.40xd	69.28	-0.78	4.69
Worldwide Capital	5	169.0	169.0	181.5	+0.7	3.12

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Global Growth Acc	6	120.00	120.65	129.04	-0.46	2.42
Global Growth Inc	6	113.81	114.49	122.38	-0.44	2.42
Global Balanced Acc	6	117.68	118.02	126.22	+0.23	3.51
Global Balanced Inc	6	106.57	106.88	114.31	-3.28	3.51
Value Tst Acc	6½	82.99	84.08	89.92	-0.13	3.08
Value Tst Inc	6½	79.38	80.42	86.01	-0.12	3.08
Intl Pen & Ch'ties Inc ψ	2	104.00	105.18	110.43	----	3.38
Intl Pen & Ch'ties Acc ψ	2	100.48	101.63	106.70	----	3.38

For Thornhill see BSI-Thornhill

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 0DH 071-493 7262
Dealing 071-493 8545

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
American Opps	5	52.46	52.46	55.95	-0.72	0.20

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	101.63	101.63	+0.6	10.61
(Accum Units)	553.50	553.50	+3.4	10.61
NAACIF Mar 26	—	42.59	—	9.55

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Apr 2	127.1	136.1	-0.6	2.87
UK Small Co † Apr 2	515.3	554.8	-3.6	1.95
Fixed Interest † Apr 2	107.9	113.5	+0.2	7.85
US Small Co Apr 2	150.0	160.4	+2.3	0.00
Managed Apr 2	106.4	113.1	-0.2	1.27
Intl Bond Apr 2	111.8	118.0	-3.8	7.75
Japan Apr 2	73.86	79.00	+1.3	0.86
European Apr 2	85.25	91.44	+0.9	1.61
Nth American Apr 2	104.0	111.8	-1.6	1.26

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Mar 27	48.95	50.91	—	2.84
Euro Expt Mar 27	49.70	52.19	—	2.57
Fixed Int Ex Mar 27	46.34	47.49	—	10.35
Japan Expt Mar 27	46.14	47.98	—	0.60
Managed Ex Mar 28	44.23	46.00	—	4.35
SE Asia Expt Mar 27	69.41	72.87xd	—	3.75
Sm Cos Expt Mar 27	33.21	34.86	—	4.46
UK Eqty Ex Mar 27	41.51	43.58xd	—	3.89

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Mar 6	688.9	732.6	—	4.86
Do Accum	773.8	822.8	—	4.86
Int. Expt Mar 27	173.7	177.1	—	2.47
UK Index Mar 6	1152.0	1174.0	—	4.95
Do Accum	1232.0	1255.0	—	4.95
Convertible Mar 29	94.69	97.64	+0.10	7.82
World ex UK Index Apr 1	781.4	791.0	-0.5	1.86
Do Accum	781.4	791.0	-0.5	1.86
Japan Index Apr 1	609.2	617.6	-13.5	0.60
Do Accum	610.7	619.0	-13.6	0.60
USA Index Apr 1	957.8	963.5	+13.4	3.23
Do Accum	981.4	987.1	+13.7	3.23
Europe ex UK Index Apr 1	866.9	886.7	+5.8	2.77
Do Accum	886.6	906.7	+5.9	2.77
Pacific ex Jap Index Apr 1	908.5	936.0	+13.5	4.47
Do Accum	942.3	970.8	+14.0	4.47
Managed Exempt Apr 1	103.9	105.6	—	3.90
American Exempt Apr 1	132.1	134.4	—	3.11
European Exempt Mar 27	113.9	115.7	—	3.11
Japan Exempt Mar 27	112.7	115.1	—	8.07
Pacific Basin Mar 27	123.6	127.7	—	3.97

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	59.9	63.8	-0.8	3.19
NC Property	174.3	192.2	—	—

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	135.1	136.4	+5.6	2.54

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Mar 14	276.7	291.3	—	—

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Apr 2	94.34	99.78xd	-0.56	4.14
(Accum Units)	98.36	103.38xd	-0.14	4.14

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Ex European Mar 28	1038	1053	—	3.64
TR Ex Nth Amer Mar 28	978	994	—	3.93
TR Ex Pac Basin Mar 28	758	770	—	2.65
TR Ex Smlr Cos Inc Mar 28	1215	1294	—	7.56
TR Ex Smlr Cos Acc Mar 28	1215	1294	—	7.56

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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N & P Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assce. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

CMI Insurance Co Ltd—Contd.

Eagle Star Int'l Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Fidelity Insurance

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

The Analysis Group PLC

Atlas Investment Services Ltd

Bryan Wells & Partners Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Glen Reid Ltd

Gartmore Fund Managers Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Davie F.S. Ltd

Northam Bage & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Sharp (Albert E) & Co.

Sitala Fund Managers Limited

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngmt (Guernsey) Ltd

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Dartrust Management (Guernsey) Ltd

Fleet-Connell Fund Mngrs (Guernsey) Ltd

John Govett Mngmt International Ltd

Hambros Fund Managers (Guernsey) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngt Ltd

Kleinwort Benson Islamic Fd Mngt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Sandi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Stonehage Fund Mngrs Ltd

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$755.38			-
Fixed Income Shares	$976.56			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$10 99		+0.11	-
Yamaichi ESS Fund	$7 99		+0.18	-
Yamaichi CB Plus Fund	$8.52		+0.09	-
Thai Inv Fund	$11 55			-

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin				010 353 1760 630		
GAM Universal US DM Acc		$-	109.16			-
GAM Universal US DM Inc		$-	109.16			-
GAM Universal DM Acc		DM-	112.17			-
GAM Universal DM Inc		DM-	112.17			-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0.98	1.05		-

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Bank of Ireland Unit Managers Ltd				
Global Scan.	$9 69	9 98		-
European Bond				-
Guarantor Portfolio				
Equity America	$11.16	11 84		-
Equity Europe	$9.31	9.88		-
Bond America	$10.28	10 91		-
Bond Europe	$9 43	10 01		-
Bond Japan	$9 82	10 42		-
World Inv Trust	$10.56	11.20		-
Opportunity Europe	$10.98	11.65		-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey				0534 73114		
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey				0534 27561		
Lloyds Tst. Gilt	2½	9.331	9.346	9.990		11.47
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey				0534 37788		
Intl Circuit Portfolio	6	103 71	103.71	109.96		0 00
Gilt	3	91.54	91 54	94.39		10.33
For MIM see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (2400)F						
PO Box 428, St Helier, Jersey				0534 76077		
Govt Secs Fd	4	55.33	56.33	57.79		11.25
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey				0534 73494		
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	104 49	104.49	107 62	+0.17	12.15
Gilt & Fixed Interest	5	103.51	103.51	106.61	+0.64	11.63
Blue Chip & Gilt Edged	5	49.64	49.64	52 95	-0.18	5 48
International Bond	5	111.70	111.70	117.31	+0.87	7 52
UK Equity	5	100.33	100.33	108.51	-0.97	1.62
International Equity	5	105.60	105.60	112.80	-0.96	0 43
Far Eastern	5	94.71	94.71	101.27	-0 09	0.00
European	5	86.19	86.19	91.11	+1.73	0.42
Pan American	5	101.15	101.15	107.44	-2.71	0.79
TSB Gilt Fund Ltd						
Quarterly Share	3	98.38	98.38	101 47	+0.22	10.58
Monthly Share	3	96.33	96.33	99.35	+0.22	10.77

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Top Brand Fund Intl—SICAV (u)				
Top Brand Fd Intl	$14.26	14 87	+0 14	2.34
See Ad Warburg Asset Mngt London				
Transworld Bond Trust				
NAV		$10 89	+0 10	-
US Pacific Stock Fund (u)				
NAV		$16.52		-
Unibank SA, Frontrunner I (u)				
Dollar ... 92	Ecu72 75			-
Danish Bonds	DKr109 44			-
Global Bonds	DKr111.23			-

	Bid Price	Offer Price	+ or -	Yield Gross
GT Management Plc—Contd.				
GT Global Small Co's (z)	$15.37			-
GT Global Tech Fd (z)	$18.02		+0 04	6 66
GT Hong Kong Fd (z)	$33 27		+0 39	3 28
GT Honshu Pfdr (z)	$13 03		+0 28	-
GT Investment Fd (z)	$15 09		+0 03	0 27
GT Jap OTC Stocks	$11.33		+1 02	-
GT Jap Sm Cos (z)	$15 77			0.15
GT Korea Fd (z)	$5 67			-
GT Newly Ind Co Fd (z)	$28 98			1 67
GT Technology Fd (z)	$44 37		+0 40	-
GT UK Small Cos Fd (z)	$7 15		+0 06	-
GT US Small Cos (z)	$15 62			-

	Bid Price	Offer Price	+ or -	Yield Gross
NM Financial Mngt Intl Ltd				
Int Resident Prop Fd	10 903	1 008		4 00
The New Zealand Fund				
Manager Leadenhall Offshore Ltd				
The NZ Fund	$5 56	5 95	+0 16	-
Newport International Management				
Npt. Intl. Securities	$39 71			-
Npt. Intl Inc. Fd	$20 75			-
Npt Pacific	$28 17			-
Nomura Warrant Fund 1990 Ltd				
NAV	$4 42			-

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

$ lower in volatile session

THE US dollar ended a volatile session, having failed to reverse a large overnight decline and with some market participants wondering whether the rally which started at the end of the Gulf war may not now be over.

With most of Europe closed on Monday for the Easter holiday, the dollar fell in New York. It opened in London yesterday at DM1.6610 against the New York close of DM1.6795 and the previous London close of DM1.7055.

Indeed, the surprisingly large decline in New York and Tokyo initially prompted some investors to buy dollars in early European trading. As it started to recoup some losses, the market was given a boost by speculation that a South East Asian central bank was buying back dollars sold in the previous session.

At one point the US currency was up almost 4 pfennigs and threatening to move back above DM1.70, but it later retreated.

The release of weaker-than-expected US February factory goods orders figures had little immediate impact, although it did add to unease about the more important March employment statistics, due for released on Friday.

The 0.5 per cent decline in factory orders compared with a 0.3 fall expected by most economists and the 1.6 drop in January. The March employment figures could indicate further weakness in US manufacturing and might be a signal to the Federal Reserve to further loosen monetary policy.

According to a poll of economists by Money Market Services, March non-farm payroll employment will fall by 137,000, compared with the 184,000 decline in February. However, following a gloomy National Association of Purchasing Manager's March survey, the market is begining to talk about a decline of more than 150,000.

The NAPM survey said the rate of decline in manufacturing output had slowed slightly in March but that the economy remained in deep recession.

Speculation that the Fed may ease monetary policy, together with a possible tightening by the Bundesbank, led yesterday to some suggestions that the dollar's upsurge since the end of the Gulf war may be over.

The dollar closed lower in London at DM1.6805 compared with DM1.7055 last Thursday. It also finished at SFr1.4270 from SFr1.4550; at Y138.50 from Y141.15; and at FFr5.6925 from FFr5.7825. The dollar's index, calculated by the Bank of England, ended down 0.7 at 65.6.

Sterling gained from the dollar's weakness, and also from a belief that the government will remain cautious about further cuts in UK interest rates. Sterling closed higher at $1.7680 from $1.7390; at DM2.9700 from DM2.9650; and at FFr10.0650 from FFr10.0550. But it weakened to SFr2.5225 from SFr2.5300; to Y244.75 from Y245.50.

£ IN NEW YORK

Apr.2	Latest	Previous Close
£ Spot	1.7710-1.7720	1.7690-1.7700
1 month	1.00-0.99pm	0.91-0.90pm
3 months	2.58-2.56pm	2.53-2.50pm
12 months	7.10-7.00pm	6.95-6.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.2	Previous
8.30 am	92.6	92.4
9.00 am	92.7	92.4
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Apr 2	£	$
Argentina	17101.9 - 17146.9	9695.00 - 9715.00
Australia	2.2780 - 2.2800	1.2895 - 1.2905
Brazil	428.000 - 428.775	242.70 - 243.00
Finland	6.9965 - 7.0180	3.9850 - 3.9880
Greece	319.450 - 324.600	181.550 - 184.500
Hong Kong	13.7510 - 13.7645	7.7920 - 7.7940
Iran	123.30	65.50
Korea(Sth)	1274.45 - 1294.95	722.10 - 727.90
Kuwait	N/A	N/A
Luxembourg	61.30 - 61.40	34.65 - 34.75
Malaysia	4.8595 - 4.8710	2.7510 - 2.7540
Mexico	5264.90 - 5269.05	2986.00 - 2987.00
N.Zealand	2.9905 - 2.9955	1.6950 - 1.6980
Saudi Ar	6.6300 - 6.6715	3.7490 - 3.7510
Singapore	3.1485 - 3.1560	1.7880 - 1.7900
S.Af (Cm)	4.7525 - 4.7645	2.7040 - 2.7060
S.Af (Fn)	5.7075 - 5.8010	3.2365 - 3.2895
Taiwan	47.30 - 47.40	27.40 - 27.45
U.A.E.	6.4920 - 6.5345	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.781	-4.38	5.87	76
Sterling	0.696904	0.692041	-0.70	1.94	13
Italian Lira	1538.24	1535.58	-0.17	1.41	15
Belgian Franc	42.4032	42.3481	-0.13	1.36	13
D-Mark	2.05586	2.05730	0.07	1.16	4
Dutch Guilder	2.31643	2.31894	0.11	1.12	2
Irish Punt	0.767417	0.770107	0.35	0.88	-9
Danish Krone	7.84195	7.89188	0.64	0.59	-23
French Franc	6.89509	6.98011	1.23	0.00	-60

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Apr 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7475 - 1.7770	1.7675 - 1.7685	1.00-0.98cpm	6.72	2.59-2.56pm	5.83
Canada	2.0230 - 2.0525	2.0420 - 2.0430	0.60-0.51cpm	3.26	1.37-1.23pm	2.55
Netherlands	3.3400 - 3.3545	3.3400 - 3.3500	1-⅞cpm	3.36	2¾-2⅝pm	2.69
Belgium	60.90 - 61.40	61.30 - 61.40	18-11cpm	3.33	44-37pm	2.64
Denmark	11.3560 - 11.4450	11.4350 - 11.4450	3¼-2¾orepm	2.88	7¼-6½pm	2.36
Ireland	1.1050 - 1.1270	1.1130 - 1.1140	0.26-0.21cpm	2.53	0.57-0.47pm	1.87
Germany	2.9655 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	259.90 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	183.60 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2204.25 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Apr 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	8⅝ - 8½	9 - 8¾	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
French Franc	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9½ - 9⅜	9⅜ - 9¼
Italian Lira	13 - 11	11½ - 10½	11⅝ - 11⅛	11⅝ - 11⅛	11½ - 11⅛	11½ - 11⅛
Belgian Franc	9¼ - 9⅛	9⅛ - 9⅛	9⅝ - 9½	9⅝ - 9⅛	9½ - 9⅜	9⅜ - 9¼
Yen	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	7⅞ - 7¾	7⅝ - 7½	7⅝ - 7½
Danish Krone	9⅞ - 9⅞	9¾ - 9⅝	9⅝ - 9½	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing	6⅞ - 6⅞	6⅞ - 6⅞	6½ - 6⅜	6½ - 6⅜	6⅞ - 6⅞	7⅛ - 6⅞

Long term Eurodollars: two years 7⅝-7½ per cent; three years 8-7⅞ per cent; four years 8¼-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr.2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.768	2.970	244.8	10.07	2.523	3.345	2215	2.043	61.35
$	0.566	1	1.680	138.5	5.696	1.427	1.892	1253	1.156	34.70
DM	0.337	0.595	1	82.42	3.391	0.849	1.126	745.8	0.688	20.66
YEN	4.085	7.222	12.13	1000.	41.14	10.31	13.66	9048	8.346	250.6
F Fr.	0.993	1.756	2.949	243.1	10.	2.505	3.322	2200	2.029	60.92
S Fr.	0.396	0.701	1.177	97.05	3.991	1	1.326	877.9	0.810	24.32
H FL	0.299	0.529	0.888	73.18	3.010	0.754	1	662.2	0.611	18.34
Lira	0.451	0.798	1.341	110.5	4.546	1.139	1.510	1000.	0.922	27.70
C $	0.489	0.865	1.454	119.8	4.929	1.235	1.637	1084	1	30.03
B Fr.	1.630	2.882	4.841	399.0	16.41	4.112	5.452	3610	3.330	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX / FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7680	1.7581	1.7423	1.7240	1.6973

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.7334	1.7354	1.7318	1.7438
Sep	1.7152	1.7152	1.7120	1.7248
Dec				1.7098

BASE LENDING RATES

	%		%		%
ABN Bank	12½	Co-operative Bank	12½	Nat Bk of Kuwait	12½
Adam & Company	12½	Coutts & Co	12½	NatWestminster	12½
Allied Trust Bank	12½	Cyprus Popular Bk	12½	Northern Bank Ltd	12½
AIB Bank	12½	Dunbar Bank PLC	12½	Nykredit Mortgage Bank	13
● Henry Ansbacher	12½	Duncan Lawrie	12½	Provincial Bank PLC	15
B & C Merchant Bank	12½	Equatorial Bank plc	12½	Roxburghe Bank Ltd.	13½
Bank of Baroda	12½	Exeter Bank Limited	13	Royal Bk of Scotland	12½
Banco Bilbao Vizcaya	12½	Financial & Gen. Bank	13	● Smith & Williamson Secs.	12½
Bank Credit & Commerce	12½	First National Bank Plc.	16	Standard Chartered	12½
Bank of Cyprus	12½	● Robert Fleming & Co.	12½	TSB	12½
Bank of Ireland	12½	Robert Fraser & Ptnrs.	13	Unibank plc	12½
Bank of India	12½	Girobank	12½	● United Bk of Kuwait	12½
Bank of Scotland	12½	● Guinness Mahon	12½	United Mizrahi Bank	12½
Banque Belge Ltd	12½	● Hambros Bank	12½	Unity Trust Bank Plc	12½
Barclays Bank	12½	Hampshire Trust Plc	13½	Western Trust	12½
Benchmark Bank	13	Heritable & Gen Inv Bnk.	12½	Westpac Bank Corp.	12½
Brit Bk of Mid East	12½	● Hill Samuel	12½	Whiteaway Laidlaw	12½
● Brown Shipley	12½	C. Hoare & Co.	12½	Yorkshire Bank	12½
CL Bank Nederland	12½	Hongkong & Shanghai	12½		
● Charterhouse Bank	12½	● Leopold Joseph & Sons	12½		
Citibank NA	12½	Lloyds Bank	12½		
City Merchants Bank	12½	Meghraj Bank Ltd	12½		
Clydesdale Bank	12½	McDonnell Douglas Bnk.	12½		
Comm. Bk of London Plc	12½	Midland Bank	12½		
		Mount Banking	12½		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates steady

UK INTEREST rates were little changed in thin trading as the money markets recovered slowly from the Easter holiday weekend.

European money rates were also steady, although there was some nervousness ahead of the Bundesbank council meeting tomorrow. In London the key three month inter-bank rate was unchanged at 12$\frac{7}{16}$-$\frac{5}{16}$ per cent.

Longer-dated rates were nudged higher by the futures market. Derivative specialists said this reflecting a growing belief that the government will take a cautious attitude towards further cuts in interest rates. The September short sterling contract is indicating base rates of 10½ per cent, whereas last week it was begining to discount 10 per cent.

UK clearing bank base lending rate 12.5 per cent from March 22, 1991

At the short-end, money rates were easier as the pressures caused by the approach of the end of the tax year disappeared. Last week overnight money traded at 13¾-14 per cent but yesterday it moved down to 12¾-⅛, in line with the current level of base rates.

Money market dealers expect a further ½ point cut in UK base rates before the end of this month. One date being mentioned is April 12 when the March inflation figures are expected to show a substantial fall.

But two senior money dealers said yesterday that the government would not want to be led by the market and could wait until later in the month.

Money rates received little direction from the Bank of England, which supplied the market with sufficient liquidity to meet its daily credit needs. An initial forecast shortage of £350m was revised to £300m and finally to £200m.

Before lunch, the Bank bought £114m of band 1 bank bills at 12⅜ per cent. Late assistance of £85m was also provided.

In Frankfurt call money rates were little changed at around 8.90-8.95 per cent. The decline in the D-Mark has led to speculation that the Bundesbank's policy making meeting tomorrow could decide to raise rates.

However, most economists do not believe the Bundesbank would tighten policy, although some said that a change in rates could not be ruled out.

This uncertainty was reflected in the futures market, where short-term German interest rates were firmer. The June Euro-mark contract closed 10 points lower at 90.70.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.2)	3 months US dollars		6 months US Dollars	
	bid 6⅛	offer 6¼	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills and Bonds

One month	5.91	Three year	7.24
Two month	5.90	Four year	7.48
Three month	5.95	Five year	7.70
Six month	6.04	Seven year	7.94
One year	6.21	10-year	8.05
Two year	6.99	30-year	8.25

Apr 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	8.85-9.00	8.95-9.10	9.00-9.20	9.10-9.30	9.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	[illegible]	9.17-9.27	-	9.18-9.28	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	[illegible]	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Apr 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible] ... 12$\frac{1}{32}$ per cent; three months 11$\frac{5}{8}$ per cent; six months 10$\frac{13}{16}$ per cent ... 12$\frac{1}{32}$ per cent; three months 11$\frac{13}{16}$ per cent; Treasury Bills ... 11.5556 p.c. ECGD Fixed Rate Sterling Export Finance. Make up ... for period April 23,1991 to May 25, 1991, Scheme I: 13.52 ... Reference rate for period March 1,1991 to March 28, 1991 ... Authority and Finance Houses seven days' notice, others seven ... Rate 13 from April 1, 1991: Bank Deposit Rates for sums at ... Certificates of Tax Deposit (Series 6); Deposit £100,000 and over ... one-three months 11 per cent; three-six months 10½ per cent; ... six-twelve months 10 per cent; Under £100,000 9 per cent from ... drawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

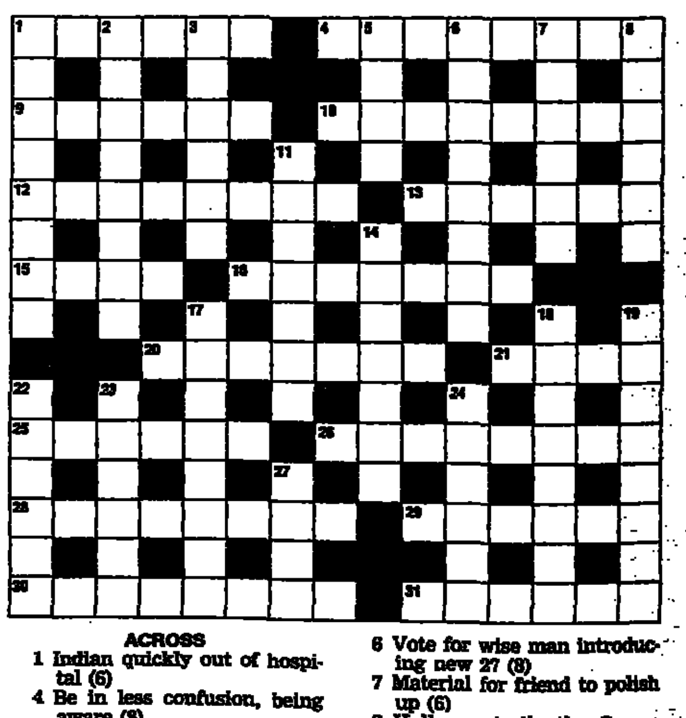
Money Market Bank Accounts

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,508 Set by DOGBERRY



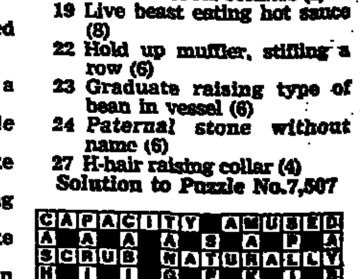
ACROSS

1 Indian quickly out of hospital (6)
4 Be in less confusion, being aware (8)
9 Carrying money, got back out (6)
10 Necessarily turning theatre over to the boys in blue (8)
12 Optical illusion could mean everyone gets cut (8)
13 Make early start in container (6)
15 Furry friend in Opus 6 (4)
16 Odd way to wander (7)
20 Sea beast with hair fed inside (7)
21 Right or left cheek? (4)
25 Addresses of Jane Eyre, a basic text (6)
26 Flushing out versatile breather (4-4)
28 Work out how to make cheats honest (8)
29 The simultaneous giving and getting of kicks? (6)
30 Spy film one could make plainer (8)
31 Double name involved in experience of seasoning (6)

DOWN

1 Leading dissident to stake out one musical genre (8)
2 Star eats out, anticipating danger (8)
3 Manage to make composer heard (6)
5 Heaven on earth for former PM (4)
6 Vote for wise man introducing new 27 (8)
7 Material for friend to polish up (6)
8 Hollow missile the Queen takes to town (6)
11 Hymn for quiet deterrent to trespassers (7)
14 Malignant feud – endless – breaking out during dance (7)
17 Prenatal anguish of Mum and Dad? (8)
18 Arithmetic for soldiers (8)
19 Live beast eating hot sauce (8)
22 Hold up muffler, stifling a row (6)
23 Graduate raising type of bean in vessel (6)
24 Paternal stone without name (6)
27 H-hair raising collar (4)

Solution to Puzzle No.7,507



WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / FRANCE / GERMANY / NETHERLANDS / NORWAY / ITALY / SPAIN / SWEDEN / SWITZERLAND / SOUTH AFRICA / AUSTRALIA / HONG KONG / MALAYSIA / SINGAPORE / JAPAN

[illegible]

CANADA

TORONTO

2:15 pm prices April 2

[illegible]

4000 Can Packer	$14	14	14	+1/8	
9000 Can Util A	$19 1/8	19 1/4	19 1/8		
2200 Can Util B	$20 3/8	20 3/8	20 3/8	+1/8	
26500 Canamax	u63	61	61	+1	
4900 Canfor	$25 7/8	25 3/4	25 7/8	+1/8	
17000 Cara Op	$16 1/2	16 1/2	16 1/2		
9300 Carena Dev	$13 5/8	13 1/2	13 5/8		
1700 Cascades	$5 3/8	5 3/8	5 3/8	-1/8	
500 Cntrl Cap	$6 3/4	6 3/4	6 3/4		
18700 Cinepx Odn	480	445	480	+30	
500 Cntrl Fd A	480	480	480		
61900 Cominco	$24 1/2	24 1/4	24 1/2		
5800 Coputalog	245	235	235		
100000 Jannock	$16 1/4	16 1/4	16 1/4	+1/4	
4300 KerrAddis	u$16	15 3/4	16	+1/2	
4300 Labatt x	$23 5/8	23 1/8	23 5/8	+1/2	
101500 Lac Minls	$9 1/4	9	9 1/4		
200 Lafarge	$17	17	17	+1/4	
24700 Laidlaw A	$15 1/8	14 3/4	14 7/8		
268700 Laidlaw B	$15 1/8	14 3/4	14 3/4	-1/8	
400 Laurent Bk	$16 5/8	16 5/8	16 5/8	+3/8	
2000 Laurent Gp	$7 1/4	7 1/4	5 3/4	-1	
600 Rayrock	$7 1/2	7 1/2	7 1/2	-3/8	
16700 Ren'ssance	$18 3/8	18 1/4	18 3/8	+1/8	
23100 Repap Ent	$7 1/4	7	7	-1/4	
64400 Rio Algom	$22 1/4	22	22 1/4	+1/4	
4900 Rothmans	$54 1/2	54	54 1/2	+3/8	
302400 RoyalBkCan	u$26 3/8	25 3/4	26 1/4	+1/4	
271700 RylTrustco	$8 7/8	8 3/4	8 7/8		
18400 StLawrCm A	$15 3/8	15 1/8	15 3/8		
21500 Sceptre Rs	400	390	390	-5	

MONTREAL

2:15 pm prices April 2

[illegible]

8000 DominTxt A	$8 1/4	8 1/2	8 1/4	+1/4
2800 Memotec x	$8 1/4	8 3/4	8 3/4	
96000 NatBk Can x	$10	9 7/8	9 7/8	+1/8
32700 Provigo	u$13	12 3/4	12 3/4	
200 Quebecor A	$19 3/8	19 3/8	19 3/8	
700 Videotron	$13 1/4	13 1/4	13 1/4	

Total Sales 6,637,700 shares

INDICES

NEW YORK

DOW JONES	Apr. 1	Mar. 28	Mar. 27	Mar. 26	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2881.19	2913.86	2917.57	2914.85	2973.27 (6/3)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	93.64	93.60	93.37	93.24	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1101.55	1109.49	1117.95	1102.79	1166.26 (5/3)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.91	217.18	216.55	218.12	218.12 (26/3)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2919.31 (2942.08) Low 2868.32 (2893.32)

STANDARD AND POOR'S

	Apr. 1	Mar. 28	Mar. 27	Mar. 26	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	371.30	375.21	375.35	376.30	376.72 (5/3)	311.49 (9/1)	376.72 (5/3/91)	4.40 (1/6/32)
Industrials	439.64	444.21	444.63	445.65	447.26 (6/3)	364.90 (9/1)	447.26 (6/3/91)	3.62 (21/6/32)
Financial	29.07	29.45	29.52	29.44	29.52 (27/3)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	203.41	205.30	205.32	205.55	205.74 (5/3)	170.97 (9/1)	205.74 (5/3/91)	4.46 (25/4/42)
Amex Mkt. Value	357.94	359.20	357.68	356.92	359.20 (28/3)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	480.86	482.30	482.37	478.57	482.37 (27/3)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar.22	Mar.15	Mar.8	year ago (approx.)
Dow Industrial Div. Yield	3.53	3.42	3.40	4.06

	Mar. 27	Mar.20	Mar.13	year ago (approx.)
S & P Industrial div. yield	2.84	2.88	2.83	3.09
S & P Indl. P/E ratio	18.27	17.95	17.53	14.56

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
RJ Nabisco	3,411,900	11 1/8	- 1/8
Pet Inc Wi	1,914,100	15 3/4	—
Cen Me Pwr	1,848,900	19 1/4	+ 1/4
GTE Corp	1,778,100	31 1/2	- 1/4
Philip Morris	1,774,900	66 3/4	- 1 1/4
Gen Electric	1,634,200	69 3/4	+ 1/8
Digital Equip	1,452,300	63 7/8	- 4 1/4
IBM	1,422,700	112 1/4	- 1 1/8
Schering Plgh	1,401,400	47 3/4	- 1 1/8
Am T & T	1,343,800	33 1/4	- 1/2

TRADING ACTIVITY

† Volume (Millions)	Apr. 1	Mar. 28	Mar. 27
New York	144.015	151.750	201.830
Amex	11.328	13.625	15.214
NASDAQ	126.193	184.300	194.384
Issues Traded	2,050	2,026	2,061
Rises	635	852	880
Falls	970	675	708
Unchanged	445	499	473
New Highs	77	97	136
New Lows	2	3	4

CANADA

TORONTO	Apr. 1	Mar. 28	Mar. 27	Mar. 26	1991 HIGH	1991 LOW
Metals & Minerals	3143.12	3184.27	3179.47	3196.30	3284.18 (5/3)	2632.06 (9/1)
Composite	3486.87	3495.67	3486.25	3467.92	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1830.19	1836.40	1830.90	1826.98	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 2	Apr. 1	Mar. 28	Mar. 28	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1434.8	(c)	(c)	1444.2	1456.8 (18/3)	1204.5 (16/1)
All Mining (1/1/80)	654.3	(c)	(c)	658.2	673.5 (19/3)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	505.40	(c)	(c)	500.13t	511.73 (8/3)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1193.91	(c)	(c)	1197.55	1200.85 (27/3)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	348.78	(c)	(c)	(c)	354.05 (8/3)	302.36 (8/1)
FINLAND						
HEX General (28/12/90)	1147.2	(c)	(c)	(c)	1164.7 (22/3)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	483.51	(c)	(c)	479.76	487.78 (8/3)	394.88 (15/1)
CAC 40 (31/12/87)	1827.10	(c)	(c)	1816.36	1831.85 (7/3)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	656.00	(c)	(c)	645.45t	682.77 (8/3)	570.48 (15/1)
Commerzbank (1/12/53)	1862.4	(c)	(c)	1830.2t	1942.3 (8/3)	1612.5 (15/1)
DAX (30/12/87)	1538.62	(c)	(c)	1522.80	1602.29 (8/3)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3789.99	(c)	(c)	3745.97	3789.99 (2/4)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1489.56	(c)	(c)	1481.61	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	585.06	(c)	(c)	581.17	597.83 (18/3)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26252.00	26007.40	26292.04	26206.92	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1976.70	1959.96	1970.73	1966.78	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3227.43	3240.86	3240.68	3211.47	3240.86 (1/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	584.20	587.06	587.05	582.94	605.85 (11/3)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	267.4	(c)	(c)	267.6	267.7 (27/3)	221.4 (16/1)
CBS All Shr (End 1983)	195.5	(c)	(c)	195.7	195.7 (27/3)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	714.02	(c)	(c)	(c)	736.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1110.77	1117.90	(c)	(c)	1117.90 (1/4)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	405.60	408.02	(c)	411.16	415.46 (15/3)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	999.0§	(c)	(c)	972.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3386.0§	(c)	(c)	3389.0	3392.0 (22/3)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	643.56	650.05	648.84	651.98	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	286.43	286.70	(c)	(c)	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1094.0	(c)	(c)	1093.7	1119.0 (18/3)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	734.4	(c)	(c)	734.5	736.6 (8/3)	590.4 (14/1)
SBC General (1/4/87)	610.5	(c)	(c)	609.9	610.5 (2/4)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5185.30	5297.92	(c)	5139.94	5297.92 (1/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	853.58	857.18	(c)	863.54	885.16 (18/3)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	507.2*	501.6	504.2	501.7	524.2 (18/2)	439.1 (16/1)

‡ Corrected figure. **Saturday March 30: Taiwan Weighted Price: (c), Korea Comp Ex. 659.85.
♦ Subject to official recalculation. *Calculated at 15.00 GMT.
§
Base values of all indices are 100 except: Brussels SE, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 2 April 1991

	Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	29.7m	625	-5
Kurabo Inds	11.9m	1,200	-80
Chiyoda	11.3m	2,850	-80
Nippon Lt Mtl	10.5m	1,020	0
Nisshin Steel	8.4m	704	0
Godo Steel	8.1m	2,500	+60
M'bishi Elec	7.2m	787	+20
Clarion	7.1m	1,030	-10
Showa Almn	6.6m	945	+11
Kyowa HkkoKgo	4.8m	1,260	+50

2:15 pm prices April 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¾	AAR Corp	0.48	0.03	13	262	14½	13⅞	14¼	+¼
28⅛	21⅝	A L Labs A	0.18	0.01	20	57	26¼	26⅛	26¼	
54¾	40⅞	AMP Inc	1.44	0.03	19	1457	53¼	52½	52⅞	+¼
63	44¼	AMR			90	1545	58¼	57½	58	+⅝
2⅞	1¼	ARX			3	677	u2½	2⅜	2½	+¼
48¾	41½	ASA	3.00	0.06	13	261	45¾	45½	45½	−⅛
49¾	39¼	Abbott Lab	1.00	0.02	21	5285	49⅛	47¼	48⅞	+1⅞
13¼	9⅞	Abitibi Pr	0.50	0.04	19	11	13	13	13	+⅛
11⅛	10⅞	ACM Gvt In				307	u11⅛	11	11⅛	
9⅝	8¾	ACM GvOpp				44	9	9	9	−⅛
9	8¼	ACM Gvt Se x	1.01	0.11		89	u9	8¾	8⅞	
10¾	9⅞	ACM Gvt Se x				712	10⅝	10½	10⅝	+¼
8¼	7⅝	ACM Man				228	8⅛	8	8	−⅛
12⅞	11⅞	ACM Managd				124	12½	12¼	12½	+⅛
7¼	4¾	Acme Cleve	0.40	0.06	18	75	6½	6⅜	6½	+⅛
6	4¾	Acme Elect			16	36	5	4⅞	5	+⅛
39	22¾	Acuson			28	256	37⅝	36⅞	37½	+¼
17½	14¼	Adams Expr	0.48	0.03	0	43	16⅝	16½	16⅝	
20	18⅞	Adobe12Pf	2.40	0.12		24	19⅞	19⅞	19⅞	
9¼	7	Adobe Res			20	17	7¾	7⅝	7⅝	−⅛
31½	18	Ad Micro				278	29¾	29½	29⅝	+⅛
11⅝	4⅝	Ad Micro P	3.00	0.28	20	6185	10½	10⅜	10½	+⅜
4⅜	2¼	Advest Grp			3	119	4	3⅞	3⅞	
48⅞	33⅞	Aetna Lf	2.76	0.06	7	1270	46⅜	46	46¼	
10⅝	6⅝	Aiffl A	0.24	0.02	28	384	10	9⅞	9⅞	
18¾	12	Ahmanson	0.88	0.05	9	1749	17⅞	17⅝	17⅞	+⅜
4⅜	2⅞	Aileen Inc			7	718	u5	4⅝	4⅞	+⅜
69⅞	51⅞	Air Pr Che x			15	746	67⅛	66⅞	66⅞	−⅛
25	16⅝	Airbne Frt	0.30	0.01	12	1059	21¾	20¾	21¼	+1
18	12½	Airgas Inc			20	11	17⅝	17½	17½	−¼
15¼	10	Airlease x	1.60	0.12	6	53	13	12⅞	12⅞	−⅛
92½	88¼	AlaPw8.16				2	90	90	89½	−½
23½	21⅞	AlaPw PfA				z100	23⅛	23⅛	23⅛	−⅛
103	100	AlaPw9.44				z100	102½	102½	101	
108	104½	Alab Pw 11				z100	106½	105	106½	+1½
100¼	96	Alab Pw 9P				z100	98¼	98¼	98¼	+¼
92¼	88	Alab 8.28C				z100	90⅝	90⅝	90⅝	−⅝

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅝	11⅞	Quanex	0.48	0.03	6	162	17½	16½	16½	-⅝
19⅝	11⅛	Quantum Ch			20	355	16	15¾	15⅞	
14⅞	10½	QuestVal D	0.40	0.03		284	14⅛	13⅞	14	
13¾	12⅝	QuestVal P				268	13⅝	13½	13⅝	
38⅞	33¼	Questar	1.96	0.05	12	40	36½	36⅛	36¾	+⅛
19⅛	10	Quick R'ly	0.28	0.01	15	291	u19¾	18⅞	19⅜	+½
43¾	32⅛	Stanhome	0.92	0.02	17	106	43½	43	43¼	
36⅝	26⅛	StanleyWk	1.20	0.03	14	302	35½	34¾	35½	+⅞
24⅝	20¾	Starrett	0.68	0.03	9	35	23	23	23	
10¼	9⅞	State Mutl	0.96	0.10		32	9⅞	9¾	9⅞	
3⅝	2½	Steego Crp			6	15	2¾	2⅝	2¾	
51⅞	43	StlgSt7.20				4	51	51	51	-⅛
8⅞	6⅞	SterlgBcrp	0.22	0.03	7	35	7⅝	7¼	7½	+⅛
7⅛	4⅝	SterlgChem				52884	5¾	5⅜	5⅜	-⅜
18⅝	7⅞	SterlgSwre			16	445	u14½	13⅛	14	+⅞
5½	3⅝	Stifel Fin			73	5	5⅛	5⅛	5⅛	
35¼	26⅝	Stone&Web x	0.60	0.02	65z	100	32⅝	32⅝	32⅝	-⅛
18⅞	9	Stone Conl	0.72	0.05	9	1101	15¾	15½	15⅝	
5⅝	3½	Stoneridge			6	6	4⅝	4½	4½	-⅛
8⅛	6⅛	Storage Eq	0.80	0.10	6	125	8⅛	8	8⅛	
49⅛	43¼	Xerox4.125				6	48⅛	48	48	-⅛
21¼	14⅛	Xtra 1.94				17	20⅞	20⅝	20⅝	
24½	14¼	Xtra Corp	0.72	0.03	13	60	24⅝	23⅞	24¼	+¼
1½	½	Zapata			0	11	1	⅞	⅞	-⅛
9⅞	6⅛	ZenithElec			4	343	8½	8¼	8¼	-¼
18⅛	12	Zenith Nat	1.00	0.06	37	37	17½	17½	17½	-⅛
5⅝	4½	Zenix Inc	0.28	0.05		7	u5⅝	5⅝	5⅝	
14	10⅞	Zero Corp	0.72	0.05	13	424	13¼	12⅞	13¼	+⅜
41⅜	29½	Zurn Ind	0.88	0.02	14	338	36⅜	35½	35¾	-⅝
12⅞	10¼	Zweig Fund				196	12⅝	12⅛	12½	
9⅛	8½	Zweig Totl				220	u9¾	9⅝	9⅝	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2:15 pm prices April 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pat HldP	0.31	4	8	8½	8½	8½	-⅛
Phil LD	0.16	7	191	17¾	17½	17½	
Pittway A		10	15	24⅝	24¼	24¼	-⅛

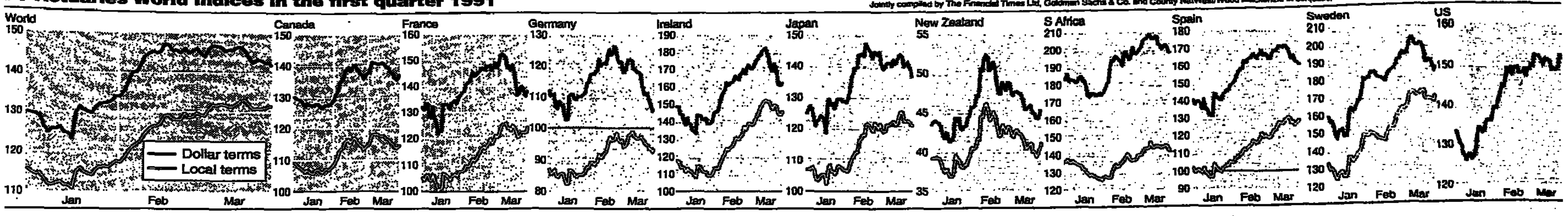
NASDAQ NATIONAL MARKET

2:15 pm prices April 2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
- X - Y - Z -							
Xilinx		47	3141	22½	21¼	22¼	+1
XL Data		8	57	6¼	6	6	
Xoma Corp		15	1765	27¾	26¼	26¾	-½
YankeeEnS	1.52	17	168	u23¾	22	22½	-½
Yellow Fr	0.94	13	188	31⅛	30⅞	31	-¼
York Rsch		21	3026	u20¾	20	20½	+⅛
ZionBah	1.44	9	252	36¼	35¾	36¼	-¼

FT-Actuaries World Indices in the first quarter 1991

Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Equities recover from Easter Monday setback

Wall Street

SHARE PRICES recovered from their Easter Monday declines yesterday morning, as investors returned to the market in search of bargain buys and on hopes of lower interest rates, *writes Patrick Harverson in New York.*

By midday the Dow Jones Industrial Average was up 21.04 at 2,902.23. The broader indices again outperformed the Dow, with the Standard & Poor's 500 rising 3.01 to 374.31 and the Nasdaq composite of over-the-counter stocks putting on 4.85 to 485.71. New York SE volume was higher than on Monday, but still relatively low at 80m shares.

Analysts said that, in the absence of a strong lead from the economy, the market was now trapped in relatively narrow trading.

However, the March employment figures, due on Friday, could provide a much needed stimulus. The market is well aware that the last two occasions when the Federal Reserve cut interest rates were immediately after the January and February employment reports, both of which were worse than expected.

McDonnell Douglas rose $2½ to $40¼ in bright trading after an upgrading by Shearson Lehman Brothers, the securities house. The opening of trading was delayed because of an order imbalance – there were far more buyers than sellers – after Shearson raised its 1992 earnings estimate from $7 a share to $9.80 a share, and posted a buy recommendation on the stock.

Mr Gary Reich, the Shearson aerospace and defence analyst, noted that, with the bad news out of the way, the market should focus on McDonnell Douglas's strong earnings power and the possibility that the company could win a big share of the $100bn contract to supply the US military with a new advanced tactical fighter.

Technology stocks, which had led the market down on Monday on the heels of a downgrade of Digital Equipment, staged a modest recovery. Digital firmed $¾ to $64½ on turnover of more than ½m shares, Compaq rose $½ to $62¼, Unisys put on $¼ to $5 and Hewlett Packard climbed $½ to $49⅝.

The one exception was IBM, which slipped $⅞ to $11⅝ on volume of ¾m shares; the stock remained unsettled after the recent profits warning from the company.

Hercules plummeted $5¾ to $35½ on 1.8m shares after one of the company's engines for the Titan 4 rocket blew up on its first test firing.

Among secondary stocks, First Executive slumped $⅜ to $⅛ after auditors raised doubts over the ability of the insurance company to remain in business following its fourth quarter loss of $465.9m.

Canada

THE EARLY rebound on Wall Street gave Toronto stocks a slight lift in morning trading yesterday. The composite index gained 4.6 to 3,491.4, and advances led declines 128 to 84 on volume of 4.4m shares.

Carena Developments, which said late on Monday that its first quarter earnings had fallen to 14 cents a share from 21 cents, rose C$⅛ to C$12⅛.

Among active stocks, Redstone Resources eased 15 cents to C$1.75 and Varity Corp rose 5 cents to C$3.20.

ASIA PACIFIC

US brokerage buying and prime rate cut reverse Nikkei decline

Tokyo

THE OVERNIGHT decline on Wall Street caused Tokyo share prices to open lower yesterday, but heavy buying by big US brokerages near the market's close pushed the Nikkei average higher, *writes Emiko Terazono in Tokyo.*

The index finished a net 244.60 ahead at 26,252.00 after reaching a low for the day of 25,913.60 just after the opening and a high of 26,274.58 soon before the close. A cut by Mitsubishi Bank in its short-term prime lending rate helped to trigger buying.

Volume increased to 400m shares from 300m. Advances finally outscored declines by 558 to 390, while 174 issues were unchanged. The Topix index of all first section stocks gained 16.74 to 1,976.70, and in London trading the ISE/Nikkei 50 index ended 1.50 firmer at 1,502.23.

Sentiment about prospects was subdued. Ms Caroline Stone at Barclays de Zoete Wedd said some floor traders were predicting a six-month correction period, but added: "The market is strongly supported at the 26,000 level."

Interest rate-sensitive issues were sought, with the financial sector gaining 4.58 per cent. Industrial Bank of Japan put on Y100 to Y3,720 and Sumitomo Bank Y50 to Y2,340.

Nippon Oil added Y20 at Y1,090 on reports that an affiliate had discovered a natural gas field in Hokkaido in northern Japan. Special steel issues were active on securities house recommendations. Showa Aluminum climbed Y11 to Y945.

Kyowa Hokko Kogyo, the drug maker, rose Y50 to Y1,260 amid rumours that it had developed a drug effective in stopping a decline in white blood cells. Morinaga Milk, which gained Y40 on Monday on rumours of a discovery related to breast milk, shed Y10 to Y700 on profit-taking.

Stocks in which Daiichi Real Estate has major stakes declined on news that the land speculator would sell shareholdings to reduce its debts. Tokyu Hotel Chain fell Y80 to Y1,610 and Katakura Industries, the silk spinner, retreated Y220 to Y2,360.

Kuraray, the synthetic fibre maker, advanced Y80 to Y1,460. Investors were encouraged by its upward revised pre-tax profit forecast to a rise of 44 per cent for the current year.

In Osaka, the OSE average eased a slight 0.68 to 29,162.68 amid volume of 40m shares, compared with 32m. Trading was dominated by short-term buying of smaller issues with low liquidity.

Roundup

THE FIRST day of trading after the Easter break for Hong Kong and Australia saw the two markets move in opposite directions.

HONG KONG strengthened, with the Hang Seng index climbing 44.02 to 3,789.99, a post-1987 crash high. Turnover was HK$1.24bn, similar to Thursday's HK$1.28bn. The start of the new quarter encouraged buying, while sentiment was also helped by the visit of Mr Douglas Hurd, the UK foreign secretary, to Hong Kong yesterday and to Peking today.

Cheung Kong moved ahead 60 cents to HK$18.70 and Hutchison Whampoa 40 cents to HK$15.40.

AUSTRALIA witnessed active selling of shares in the Adelaide Steamship group. Last Thursday the group reported a consolidated net six-month loss of A$1.2bn.

Adsteam plunged 18 cents or 56 per cent to 14 cents; among its associates, Tooth and Co plummeted 60 cents to 50 cents, Petersville Sleigh dropped 26 cents to 68 cents, David Jones fell 24 cents to 34 cents and National Consolidated lost 6 cents to 40 cents.

The rest of the market eased in quiet trading, the All Ordinaries index receding 9.3 to 1,434.8. Turnover, affected by a holiday in Melbourne, shrank to A$123m from A$510m.

NEW ZEALAND edged higher on mostly foreign interest. The Barclays index added 9.10 at 1,337.61 in turnover of NZ$13m, up from NZ$8m.

SEOUL fell again on worries about the tight monetary policy. The composite index lost 6.49 to 643.56. TAIWAN suffered a correction, the weighted index falling 112.62 or 2.1 per cent to 5,185.30.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	+1.86	+0.95	−29.29	+12.91	+9.79	−0.50
Belgium	+1.23	+3.29	−6.10	+18.77	+15.98	+5.10
Denmark	+0.44	+0.62	−6.81	+16.08	+12.89	+2.31
Finland	−1.34	+11.72	−15.42	+25.76	+26.15	+14.32
France	+1.70	+3.21	−8.71	+18.35	+15.64	+4.80
Germany	+0.27	−0.35	−22.06	+7.71	+4.61	−5.21
Ireland	−1.99	+5.92	−13.46	+24.09	+21.02	+9.67
Italy	−0.47	+3.86	−17.49	+12.61	+11.07	+0.65
Netherlands	+3.15	+7.82	−0.98	+17.02	+13.87	+3.19
Norway	+2.00	+2.52	−16.67	+8.29	+5.74	−4.17
Spain	+2.43	+8.54	+12.90	+26.52	+25.97	+14.15
Sweden	+0.90	+4.30	+5.87	+28.49	+29.38	+17.23
Switzerland	+2.38	+5.84	−0.98	+19.08	+15.87	+5.00
UK	+0.49	+3.25	+8.05	+15.43	+15.43	+4.61
EUROPE	+0.92	+3.34	−3.48	+15.44	+13.95	+3.26
Australia	+1.13	+3.92	−3.62	+13.83	+26.97	+14.16
Hong Kong	+0.81	+5.17	+22.86	+24.67	+37.69	+24.78
Japan	−1.05	+1.32	−12.80	+13.03	+20.34	+9.04
Malaysia	−0.17	+4.29	+4.10	+13.27	+21.76	+10.34
New Zealand	+4.04	−4.77	−27.66	+4.46	+15.09	+4.28
Singapore	+0.27	+2.83	−5.22	+25.92	+34.80	+22.16
Canada	+0.77	−0.07	−4.20	+5.22	+16.28	+5.38
USA	+2.16	+1.31	+10.36	+14.06	+25.86	+14.06
Mexico	+10.49	+30.93	+120.97	+36.95	+49.15	+35.16
South Africa	−2.16	+1.80	−16.07	+4.19	+19.48	+8.27
WORLD INDEX	+0.70	+1.95	−2.06	+13.99	+20.80	+9.47

† Based on March 29th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities Ltd

Dutch reap rewards of German unity

By William Cochrane

THE FINAL week of the March quarter saw trading subdued by the approach of the Easter holiday, and a varied picture in global equity performance which left the FT-Actuaries World Index up by 0.7 per cent in local currency terms.

Within that: the Pacific Basin was pulled back by Japan, its dominant component, which lost 1 per cent on a weaker currency, lower bond markets and a lack of institutional investment interest; Europe was average; but North America was enlivened by economic recovery hopes in the US, and Mexico's acceleration to the best rise of 1991.

In Europe, the Netherlands pulled into the lead. It had opened March quite well on the ending of the Gulf war, a strong bond market and – by mid-month – a slight recovery in the US dollar. By the end of the month the climb in the dollar was putting a premium on the country's big international stocks.

Kleinwort Benson, acknowledging that Amsterdam is one of the most dollar-sensitive markets in Europe, also likes it for the relative buoyancy of the domestic economy and the beneficial effect on exports of the strong links with Germany: "They thus have all the pluses of German unification with none of the negatives."

In North America, Mexico was looking rather subdued a month ago, with a two-month rise of 4.6 per cent to March 1 against an 11.8 per cent gain in the World Index. Since then it has galloped away, encouraged by a wave of foreign investment, the imminent privatisation of three state-owned banks and the selling of the remaining government shares in Telmex, the fast-growing telephone monopoly.

In the Asia Pacific region, the week's outstanding performer was New Zealand; but it has much ground to regain after a poor performance in 1990, and in 1991 to date.

SOUTH AFRICA

JOHANNESBURG returned from the Easter break in a sluggish mood. A mild rebound in bullion prices and a fall in the financial rand helped the all-gold share index rise 27 to 999.

EUROPE

Speculation over funding spreads to Paris and Milan

THERE WERE gentle rises in most bourses yesterday, as investors returned from the four-day Easter break. Speculation that the current enthusiasm for cash-raising exercises in the UK would spill over into other markets centred on France and Italy yesterday, *writes Our Markets Staff.*

FRANKFURT was heartened by the postponement of a government bond issue due at the beginning of this month, said Mr Eckhard Frahm of Merck Finck in Düsseldorf, and by last Thursday's recovery to the support level of 1,520 on the DAX index.

Yesterday the DAX climbed another 15.82 to 1,538.62 after a rise of 9.17 to 656.00 in the FAZ at midsession. Turnover showed an increase, from DM5bn to DM5.3bn, but this included the ex dividend bulge in trade, of DM1.05bn, in Siemens, which closed DM3 higher at DM585.

The murder of the Treuhandanstalt chief, Mr Detlev Rohwedder, seemed to have little effect on trading. Good German car registration figures helped BMW, up DM15.50 at DM537.50, the strength of the dollar lifted engineering and steels, and sector rotation boosted retailers, with Karstadt rising DM22 to DM580.

PARIS moved higher in a quiet session, the CAC 40 index gaining 10.74 to 1,827.10. Buying interest focused on dollar-related stocks and companies reporting results.

The underperformers among the blue chips and cyclicals also attracted demand: Peugeot gained FFr14 to FFr579 and Saint-Gobain rose FFr8.30 to FFr440.30.

FT-SE Eurotrack 100 - Apr 2							
Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1108.36	1108.25	1110.97	1112.03	1111.85	1112.36	1112.11	1113.57
Day's High 1113.80				Day's Low 1107.96			

Mar 28	Mar 27	Mar 26	Mar 25	Mar 22
1093.14	1090.17	1076.79	1078.41	1077.21

Base value 1000 (26/10/90)

Accor, the hotels company, picked up FFr32 or 4 per cent to FFr829 in response to last week's results. Reports that the group was thinking of raising fresh capital did not surprise the market. Canal +, the pay television company, gained FFr18 to FFr987 after its recent profits announcement.

Bic, the pen and lighter company, regarded as a dollar stock, rose FFr28 or 3.8 per cent to FFr768. There were rumours that Baron Marcel Bich, the founder, might sell part of his majority stake or look for a partner.

Lafarge Coppée, the cement producer, recovered from an opening low of FFr412.50 to close FFr2.90 higher at FFr417. Lafarge said that cement sales had fallen in the first two months this year, but analysts were hopeful that 1991 would mark the trough for the company, heralding a pick-up.

MILAN hosted results and a rights issue from the Fiat group investment company, Gemina, which fell L63 or 3.4 per cent to L1,757. The Comit index rose 1.27 to 585.06 in extremely thin volume, as traders took a wait-and-see attitude following the collapse of the Italian government last Friday.

AMSTERDAM was supported by the rising dollar, but trading was dull. The CBS Tendency index added 0.2 to 96.4 in turnover of about Fl 500m.

Aegon, the insurer, was relatively active, rising Fl 2.60 to Fl 131.50 in anticipation of its 1990 results, due today.

Elsevier, the publisher which rose Fl 1.50 on Thursday on the news of its £440m takeover bid for Pergamon Press of the UK, gained another Fl 1.40 to Fl 83.60. The company said that it planned to sell its stake of 8.8 per cent in Pearson of the UK to help finance the deal.

ZURICH saw most of its early business in Alusuisse, as investors reacted to press speculation that the company could be the target of a hostile takeover by a German investor group. The company said that the report was groundless but, after profit-taking, Alusuisse bearers still closed SFr50 or 4.3 per cent higher at SFr1,225, as the Crédit Suisse index rose 1.7 to 551.0.

MADRID, one of the few bourses open on Monday, was little changed, the general index slipping 0.27 to 286.70 on profit-taking. Turnover was modest at about Pta13bn, but up from Pta10.6bn.

BRUSSELS closed lower in quiet trading. The Bel20 index eased 3.64 to 1,193.91 in thin turnover of about BFr461m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 1 1991								FRIDAY MARCH 29 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	134.83	+0.0	113.92	119.56	118.16	115.88	+0.0	5.86	134.76	114.24	119.77	119.04	115.88	135.25	112.74	133.39
Austria (19)	195.65	+0.0	165.30	173.50	171.46	172.72	+0.0	1.57	195.65	165.85	173.89	172.82	172.72	222.37	167.00	283.90
Belgium (60)	138.96	+0.0	117.41	123.22	121.78	119.86	+0.0	4.91	138.96	117.80	123.49	122.74	119.86	151.20	121.73	145.24
Canada (116)	136.53	−0.4	115.35	121.06	119.64	114.48	−0.4	3.45	137.03	116.15	121.78	121.03	114.97	141.10	126.49	138.69
Denmark (31)	238.00	+0.0	201.09	211.05	208.57	212.19	+0.0	1.57	238.00	201.75	211.53	210.28	212.19	270.58	217.74	255.92
Finland (21)	117.91	+0.0	99.62	104.56	103.33	98.67	+0.0	2.46	117.91	99.95	104.80	104.15	98.67	125.15	90.61	138.16
France (113)	138.85	+0.6	117.31	123.12	121.67	124.43	+0.0	3.36	138.07	117.04	122.70	121.94	124.43	152.28	121.85	151.59
Germany (88)	106.91	+0.8	90.33	94.82	93.69	93.69	+0.0	2.43	106.07	89.92	94.29	93.69	93.69	125.35	102.43	134.41
Hong Kong (48)	151.99	+0.0	128.41	134.77	133.20	152.06	+0.0	4.43	151.99	128.84	135.08	134.26	152.06	152.24	119.62	120.98
Ireland (16)	162.82	+0.0	137.57	144.38	142.69	146.04	+0.0	3.13	162.82	138.02	144.71	143.82	146.04	182.46	132.88	165.10
Italy (91)	79.39	+0.7	67.08	70.40	69.57	74.29	+0.0	3.43	78.82	66.82	70.05	69.62	74.29	88.23	72.05	96.96
Japan (453)	135.52	−0.4	114.50	120.18	118.78	120.18	−0.6	0.71	136.05	115.33	120.92	120.19	120.92	146.97	118.35	124.40
Malaysia (33)	235.81	+0.7	199.07	208.93	206.48	251.59	+0.7	3.03	234.08	198.42	208.03	206.76	249.95	247.78	192.83	221.18
Mexico (12)	789.94	+0.0	667.42	700.49	692.28	2584.14	+0.0	0.27	789.94	669.62	702.07	697.76	2584.14	791.72	534.45	386.97
Netherland (40)	139.23	+0.7	117.63	123.46	122.02	120.67	+0.0	4.28	138.25	117.19	122.87	122.12	120.67	145.73	125.70	137.14
New Zealand (14)	45.27	+0.0	38.24	40.14	39.67	40.96	+0.0	8.34	45.27	38.37	40.23	39.98	40.96	52.31	41.18	60.31
Norway (30)	195.75	+0.0	165.39	173.58	171.55	176.55	+0.0	1.78	195.75	165.93	173.97	172.91	176.55	223.24	182.24	229.37
Singapore (25)	193.00	−0.8	163.07	171.15	169.14	159.38	−0.8	2.36	194.56	164.93	172.92	171.85	160.67	208.25	151.63	188.96
South Africa (60)	198.02	+0.0	167.31	175.59	173.53	141.92	+0.0	4.02	198.02	167.86	175.99	174.91	141.92	208.54	173.00	180.87
Spain (41)	160.97	+0.5	136.01	142.75	141.07	129.15	+0.5	4.40	160.18	135.78	142.37	141.49	128.51	171.12	131.51	132.84
Sweden (27)	186.93	+0.0	157.93	165.76	163.82	170.60	+0.0	2.55	186.93	158.45	166.13	165.12	170.60	204.12	146.60	173.89
Switzerland (65)	93.82	+0.5	79.27	83.20	82.23	83.71	+0.0	2.47	93.38	79.16	83.00	82.50	83.71	100.67	82.17	88.98
United Kingdom (295)	173.87	+0.3	146.91	154.17	152.36	146.91	+0.0	4.83	173.30	146.91	154.01	153.06	146.91	187.44	156.27	147.21
USA (525)	150.52	−1.0	127.17	133.48	131.92	150.52	−1.0	3.25	152.05	128.89	135.14	134.31	152.05	152.63	125.95	137.01
Europe (937)	139.56	+0.5	117.92	123.76	122.31	120.51	+0.0	3.91	138.92	117.76	123.47	122.72	120.48	151.52	125.50	137.93
Nordic (109)	180.84	+0.0	152.79	160.36	158.48	156.73	+0.0	2.06	180.84	153.29	160.72	159.74	156.73	200.81	155.55	186.58
Pacific Basin (647)	135.67	−0.4	114.63	120.31	118.90	120.66	−0.6	1.06	136.16	115.42	121.02	120.28	121.35	145.92	117.86	124.63
Euro – Pacific (1584)	137.81	+0.0	116.28	122.02	120.59	121.45	−0.3	2.25	137.63	116.67	122.31	121.57	121.85	147.66	121.29	130.35
North America (641)	149.57	−1.0	126.37	132.65	131.10	148.10	−1.0	3.26	151.04	128.03	134.25	133.43	149.55	151.83	125.91	137.08
Europe Ex. UK (642)	118.78	+0.6	100.36	105.35	104.12	105.07	+0.0	3.19	118.12	100.13	105.00	104.36	105.03	129.80	106.85	130.57
Pacific Ex. Japan (194)	136.49	+0.0	115.32	121.05	119.63	122.28	+0.0	5.01	136.51	115.72	121.35	120.60	122.31	137.25	111.40	126.77
World Ex. US (1772)	138.55	+0.0	117.06	122.87	121.42	122.01	−0.3	2.30	138.59	117.48	123.18	122.42	122.40	148.16	122.32	131.30
World Ex. UK (2002)	138.39	−0.5	116.93	122.73	121.29	129.26	−0.6	2.38	139.05	117.87	123.59	122.84	130.09	143.99	120.06	130.80
World Ex. So. Af. (2237)	141.20	−0.4	119.30	125.22	123.75	130.93	−0.6	2.64	141.75	120.16	125.99	125.22	131.69	147.10	122.92	131.95
World Ex. Japan (1844)	146.06	−0.4	123.41	129.54	128.03	136.71	−0.5	3.58	146.63	124.29	130.33	129.54	137.47	151.69	126.69	137.67
The World Index (2297)	141.54	−0.4	119.59	125.52	124.05	131.01	−0.6	2.65	142.09	120.45	126.29	125.52	131.76	147.40	123.28	132.25

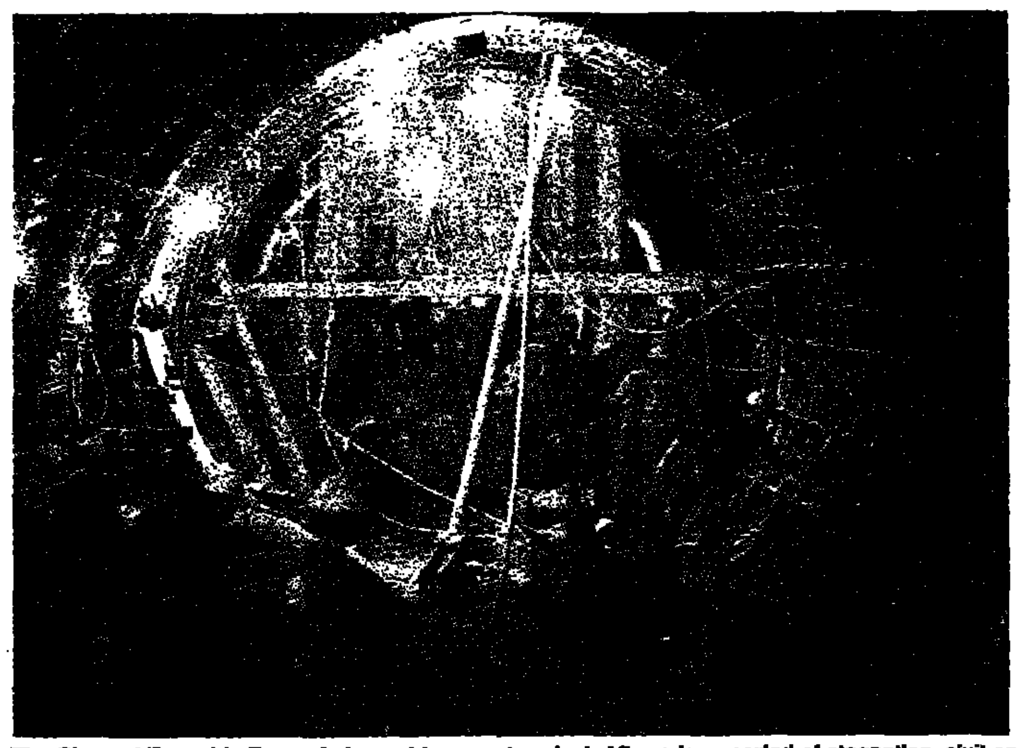
Latest prices were unavailable for this edition. Markets open April 1: Canada, Japan, Malaysia, Singapore, Spain and USA.

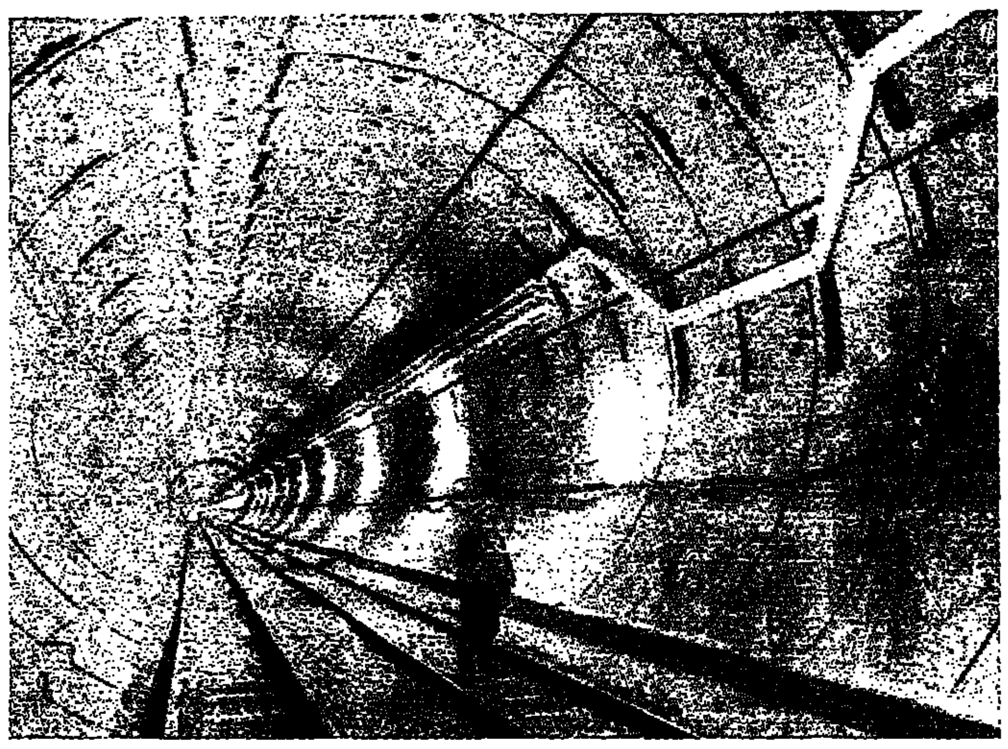
Kyowa Bank (Japan) and Saitama Bank (Japan) have merged to form Kyowa Saitama Bank. The subsequent changes will be made with effect 3/4/91.

EUROPEAN BUILDING AND CONSTRUCTION

The upsurge of the late 1980s has slowed in the face of economic downturn. In many European countries, output is expected to fall or stagnate this year. However, increased investment in transport and other infrastructure may help offset the decline in housing and other sectors, writes Andrew Taylor, Construction Correspondent

Recession takes its toll





The Channel Tunnel is Europe's largest transport project. After a long period of stagnation, civil engineering in many countries is increasing

THE GIANT tower cranes which stand above Europe's cities are being erected less often. The upsurge in European construction of the late 1980s has slowed as economic downturn and high interest rates have taken their toll on private sector investment.

Nowhere is this more apparent than in Britain, where a number of developers and contractors, including several publicly quoted companies, have been forced into the hands of the receivers.

Some of the UK's biggest construction companies including Wimpey, Britain's second largest housebuilder, and Taylor Woodrow have announced large falls in profits as the residential and commercial property markets have collapsed.

Construction orders have also fallen sharply in Scandinavia. In other countries, construction output is expected to fall or stagnate this year. Even Germany, Europe's strongest economy, expects growth in construction output to slow this year.

In spite of this, construction and building material share prices in the UK and Germany, have risen sharply in recent months.

In Britain, this reflects hopes that the housing market, which in London and southern England has been in recession since August 1988, is poised to recover following recent reductions in interest rates. Commercial development, which last year accounted form more than one-fifth of all construction output in the UK is, however, expected to remain deeply depressed.

The German construction sector has outperformed the Frankfurt equity market consistently during the past two years, apart from a blip last autumn.

By the middle of last month, the share price of Bilfinger & Berger had risen by 78 per cent since the end of October 1989, outperforming the FAZ index by 64 per cent. On the same basis, Hochtief shares had outperformed the index by 46 per cent.

The enthusiasm for German building stocks is understandable. Growth in annual construction output, although not expected to be as strong as the 5 per cent achieved in 1989 and again last year, is still forecast to increase by a further 3.5 per cent this year.

In the longer term, German construction companies can also expect to benefit from rebuilding plans for the former East Germany.

Large sums will need to be spent by the German government to improve the economy and raise living standards in the east.

This is likely to show through first in the housing sector. Other investment is likely to take longer to work through to firm orders.

Elsewhere in northern Europe, construction output is already showing signs of slowing.

In France, output is forecast to rise by less than 0.5 per cent this year after increasing at an annual average rate of 4 per cent during the last four years. Some analysts believe French construction output could even fall this year.

Output in Holland is also expected to decline. In Italy, output is expected to increase only marginally, according to Centro Richerche Economiche e di Mercato Nell'Edilizia (CRESME), an independent organisation which carries out research for the Italian construction industry.

Even Spain, Europe's fastest growing construction market, is expected to see increase at a slower rate this year.

Mr Malcolm Brown, construction analyst with stockbrokers James Capel says: "With the exception of Germany, there is a perceptible slowing in the rhythm of construction growth throughout Europe as high interest rates take their toll on the private sector.

"Commercial and industrial building work is slackening and the private housing sector is generally in recession. Civil engineering, particularly transport-related schemes, appear one of the few areas of resilience where the imperative of the wider market and longer term government funding has left it largely unscathed."

After a long period of decline and stagnation, civil engineering in many European countries is increasing.

Investment in transport is forecast to rise sharply over the next few years, although some road and rail programmes may be delayed as a result of attempts to control public expenditure and reduce inflation.

Europe currently boasts two of the world's largest transport projects: the Channel tunnel, which will link Britain and France, and the Storebaelt project which will complete the link between the island of Zealand and the Jutland peninsula in Denmark.

Increased investment by European countries in transport and other infrastructure will help offset the decline in other areas of construction, such as housing and private sector investment in offices, shops, factories and warehouses.

Commercial and industrial construction has increased sharply in recent years as domestic economies have grown.

Inward investment also has been attracted from non-EC companies anxious to establish a European base before trade barriers between EC countries are dismantled at the end of 1992.

EC directives have been designed to make it easier for companies to bid for construction contracts in rival EC countries – although most large construction groups expect that the bulk of work will continue to be won by domestic companies.

This has prompted a number of continental European to purchase strategic stakes in construction companies in other EC countries.

Not all of these purchases have gone well. Hochtief, a German contractor, which had acquired a 25 per cent stake in Rush & Tompkins, was caught out when the British developer and contractor went into receivership last April.

Part of Rush & Tompkins' contracting business was subsequently sold by the receivers to Ballast Needham, a Dutch contractor which was acquired by British Aerospace in 1987.

For its part, Hochtief has been able to build on its relationship with Rush & Tompkins to become one of the first continental European companies to win a British road contract.

Another feature of the European construction market has been the increased presence of Japanese developers such as Kumagai Gumi, which until recently had been taking advantage of sharply rising commercial property values – particularly in London and Frankfurt.

The pace of private sector investment in commercial property is likely to slow for two reasons.

First, high interest rates and slower growth in world economies will temper companies' investment plans.

Second, the enormous amount of development which has taken place (and is still continuing in some European cities) has meant that

Continued on page 8

IN THIS SURVEY

The onset of 1992 prompts more cross-border activities. **Andrew Taylor** reports

Flurry of takeovers and mergers

THE PROSPECT of the removal of remaining trade barriers between European Community countries from the end of 1992 has prompted a flurry of cross-border takeovers, strategic stake-building and joint ventures between construction and building companies.

French and German companies have been particularly active among contractors. British building material producers, by comparison, have become European market leaders for a number of construction products.

Not all purchases have gone well. The acquisition by Hochtief, a German contractor, of a 25 per cent stake in Rush & Tompkins came unstuck last summer when the British developer and contractor went into receivership.

Hochtief, however, was been able to build on its relationship with Rush & Tompkins to become one of the first continental European companies to win a major British road contract.

Part of Rush & Tompkins' contracting business subsequently was sold by the receivers to Ballast Needham, a Dutch contractor acquired by British Aerospace in 1987.

The level of cross border stake-building and acquisitions has reduced recently as domestic construction markets have slowed. German companies also have their hands full in preparing for a sharp increase in work in eastern Germany, following unification.

Philipp Hozlmann, the German contractor, is typical of French, German and Dutch contractors, which have acquired stakes in companies in other EC countries in the hope that this will open the door for more work.

Last summer Holzmann paid less than £20m for a 14.05 per cent stake in Tilbury, the British contractor. Holzmann had previously acquired a 50 per cent stake in Jotsa of Spain. It also had interests in French and Dutch companies.

Tilbury last month announced it had formed a joint venture with Holzmann and Jotsa to build a 370,000 sq ft industrial and office development south of Madrid.

European Community directives have been designed to make it easier for companies after 1992 to bid for construction contracts in rival EC countries – and harder for clients, particularly public sector bodies, to reject bids on grounds of nationality.

Most contractors, however, expect the bulk of work will continue to be won by domestic companies. They argue that if they wish to win work in another country they will need to work in partnership with local companies which will have much more detailed knowledge of trading conditions, sub-contractors and ways of working.

CORPORATE PARTNERSHIPS

The most popular locations for construction/property corporate partnerships in 1990 were:

WESTERN EUROPE:	
UK	39
Germany*	22
Spain	13
Italy	9
Other western European locations	103
EASTERN EUROPE	
Soviet Union	24
Hungary	18
Czechoslovakia	8
Poland	4

Includes. the former East and West Germany; Source: KPMG Management Consulting Report.

Most large contractors are already used to bidding in consortium for large contracts in other parts of the world where a local partner is also often an essential ingredient.

British companies prefer to form joint ventures on a project by project basis rather than by purchasing shares in a friendly company which can be expensive and dilute earnings.

French and German companies are accustomed to taking stakes in each other's businesses – often as a defensive measure to make it difficult for a would-be predator to make an outright acquisition.

One of the most complex share structures, according to a report published last summer by Swiss Bank, involves RWE, Hochtief, Holzmann and Dywidag of Germany.

French companies have been particularly actives in acquiring strategic stakes to boost their presence in other European countries. Dumez, the large French contractor, has an option to increase its stake in Alfred McAlpine, the British contractor, to 12 per cent. It also has modest stakes in German and Belgian companies.

Hollandsche Beton Groep (HBG), the large Dutch construction company, owns Edmund Nuttall, the British contractor and tunneling specialist, and Kyle Stewart, previously one of the UK's largest privately-owned construction company.

British companies, although less active than continental European groups, have taken stakes in continental European companies. John Brown, the engineering subsidiary of Trafalgar House, the British construction, property, shipping and hotels group, has a stake in Sofresid, France's second largest process plant developer.

It has also established a joint venture company with Sener Ingenieria y Sistemas, the Spanish construction group specialising in building process plant, nuclear power plants and aerospace defence systems.

British and continental companies have formed one-off joint ventures to bid for major contracts. John Laing, the British construction group, in partnership with with GTM Entrepose of France, has won the concession to build a privately financed bridge across the River Severn.

Italian and French toll road operators are included among the membership of three consortia bidding to build a privately financed toll road around part of Birmingham.

The Channel tunnel, Europe's largest transport project, is being built by a consortium of five British and five French construction companies.

Italy has a large number of private family-owned construction companies which are suspicious of taking stakes in businesses which they cannot own and control outright. For this reason, they have been reluctant to take strategic stakes in companies from other EC countries. It has also proved difficult for rivals to break into the Italian market.

British building material producers, in sharp contrast to UK contractors, have been active in making acquisitions in continental Europe on the continent. The large size of many of Britain's publicly-quoted building material manufacturers gives them a distinct edge when it come to making acquisitions on the continent where most building material producers tend to be small to medium sized family businesses.

As a result, Redland is Europe's biggest roof tile manufacturer; RMC is the biggest concrete producer; BPB is the largest producer of plasterboard; Steetley is the biggest aggregate producer in France; and Pilkington is one of Europe's biggest manufacturers of glass.

The Channel tunnel is being built by a consortium of five British and five French companies

The 'officers' have joined the 'footsoldiers' in the race for partnerships in Europe

Search for rich pickings in new alliances

IT IS hard to walk through a European airport lounge nowadays without bumping into someone clutching a well-travelled brochure case and grimly studying a long list of names culled from a construction directory.

At one time the foot soldiers of the construction industry went trailing after work on foreign building sites. Now, the officers have joined the chase.

Recession at home and rich pickings promised by the single market abroad have sent the professionals off to seek new alliances in Europe. Surveyors, architects and engineers are in the vanguard.

Many already have a long history of continental activity. GMW, for instance, one of the UK's top six architectural practices, has been working out of Brussels for 15 years.

Its UK landmarks, like the award-winning St Enoch's Shopping Centre in Glasgow and City landmarks such as the Commercial Union building, have been matched by airport, retail and business park projects abroad. But stronger links are now necessary.

"You have to overcome more than language barriers," says Mr Lyn Edwards, a GMW partner. "There is a lot of work where politics demands a mix of disciplines and nationalities."

The group has joined forces with SERAU in France and de Bormant & Gerard in Brussels, and plans further partnerships in Germany and Portugal.

GMW insists on calling these "affiliations" in a network which will interchange information and work. "This avoids the business risks of takeovers and the possible loss of status," says Mr Edwards. But it links the expertise of one practice with local market knowledge in another.

The connection has already won jobs such as stores for Marks & Spencer in Liège and Brussels; a European ministers' building; and Charleroi Airport, also both in Brussels.

There is a role for professionals who know the market. But they must be able to pick up local business to survive

GMW was careful in the selection of its "affiliates", aiming for high-growth areas and partners with a similar philosophy – "they are not necessarily the leading practices in their countries, but we wanted to match our design ethic, rather than go for raw turnover," says Mr Edwards.

And what will his practice feed into this network?

"We have a certain expertise" he says. "Berlin, for instance, faces a massive task of preserving classical old buildings and bringing more modern but inefficient ones up to date. This is just the sort of problem that the British have been tackling for some time in London."

Chesterton also boasts long experience in mainland Europe through offices in The Hague and Spain and associations in many other countries. But Mr David Owen, who heads the building surveying division, feels his troops have not been as close to the front line as he would like.

Raw turnover does not frighten Mr Owen – in fact, he positively relishes it. He is, however, following a different route to groups such as GMW. No affiliations are involved in the Bureau of European Building Consultants – apart, that is, from the joint aim by Mr Owen and more than 20 of his UK competitors to chase jobs and profits.

They have spent nine months putting rivalries aside to produce this industry-wide body. Former MEP Mr Brian Hord, the newly-appointed director-general, now has the task of scouring the continent for leads, after which it is up to the members to compete for who gets the contract – "but we hope we can target some large jobs by co-operating in joint ventures," says Mr Owen.

The bureau is effectively a trade association aimed at increasing the credibility of building surveyors in mainland Europe.

No single practice is big enough to take on this task and a central body can cut the duplication of overheads by providing centralised research.

"It is ridiculous for each one to have a partner out doing the same work," he says. The term "building surveyor" has been carefully avoided – in French, the group is known as the Bureau of Building Consultants and Experts – because the title is little-known on the continent.

But Mr Owen believes they can play an important role, offering project management services, structural surveys and feasibility studies.

"Development-monitoring will be very important. It is a highly specialised skill which all big investors require, and is badly lacking in mainland Europe," he says.

Another gap is being filled by PMI, the project management specialist, which took a different road again into Europe.

"We opted for our own Paris office – but working in partnership with a Briton who has been based here for many years and knows the local market," says Mr Chris Gilmore, of PMI France.

"The intention was to serve speculative developers but most of our work is coming from owner-occupiers looking for property expertise."

The company is currently handling four projects involving international groups moving out of Paris to greenfield sites. Brent Chemicals, for instance, is building more than 50,000 sq ft to replace Paris offices and antiquated out-of-town manufacturing facilities for its paint and ink operations.

Such companies are having to rationalise and seek better buildings to compete, often through a "friendly" local authority providing grants and cheap land.

"There is a role for professionals who know the market and can communicate with a UK or American board," says Mr Gilmore. But they must be able to pick up local business to survive – and adjust to different standards and practices.

Quantity surveyors have a much lighter role: architects face a heavier administrative burden and less detailed work. Specifications are less onerous, so buildings are produced to lower standards. Lower rents make high-specification property difficult, anyway.

French construction is polarised between a handful of giants and thousands of small operators, so a project may involve half a dozen individual contractors. With no overall management contractor, that means having to keep six eyes open at once to watch each one.

David Lawson

The writer, a regular contributor to FT property surveys, has won this year's Commercial Property Journalist of the Year award.

The award is made by the Incorporated Society of Valuers and Auctioneers, which reviewed articles from 80 national, regional and specialist publications throughout the UK.

David was praised by the judges "for his perceptive insights". Anne Steadman, who also writes about property in the FT, was highly commended.

The Cannon Bridge development in the City: a garden is being created on the roof *James Hill*

THE UK

First fall in output for decade likely

ANNOUNCING a large fall in group profits, Sir Clifford Chetwood, chairman of Wimpey, Britain's second largest house builder, warned shareholders last month that "prospects for this year are as tough, if not tougher, than last year."

Wimpey's pre-tax profits fell by more than two-thirds in 1990 to £43.3m. The group was able to maintain its total dividend at 10.5p, the same as in 1989, only by transferring £26m from reserves.

In the same week that Wimpey announced its steep fall in profits, Mr Peter Drew, chairman of Taylor Woodrow, revealed the commercial property, housebuilding group's first fall in annual pre-tax profits for 30 years. Profits last year fell by 28 per cent to £83.4m, down from £116.9m in 1989.

After almost a decade of continuous growth, Britain's construction industry is in retreat. Hundreds of small and medium-sized contractors and developers have been forced into receivership as residential and commercial property prices have fallen.

Companies which had borrowed heavily to finance developments have found themselves unable to sell buildings for sufficient money to to repay the debt.

Edward Rushton, Son and Kenyon, one of Britain's biggest valuers and auctioneers of industrial plant and equipment, says it has raised about £5m during the past six months from sales of construction equipment previously operated by failed companies. This compares with about £750,000 from construction equipment auctions for the whole of 1989, says Mr Peter Bache, an insolvency partner and auctioneer at the firm.

Profits of contractors, developers and building material producers have slumped as demand for houses and office blocks has declined.

The National Economic Development Office (NEDO) has forecast that that construction output in Great Britain will fall by 4 per cent this year. This would be the first decline since 1981.

Output would have fallen last year but for the fact that a number of large office developments commissioned in the late 1980s had still to be completed. Services such as lifts, air conditioning equipment, telecommunications are the last things to be installed in a building, but can account for up to 50 per cent of the cost of an office block.

The heavier end of construction and building materials had already seen sharp falls in orders and sales. UK cement sales – one of the best guides to overall construction activity – fell by around 12 per cent last year,

Sir Clifford Chetwood of Wimpey: 'This year will be as tough as last year'

according to estimates by Rugby Group, which sells about one-fifth of all cement in the UK.

Rugby, which saw group profits slide by a quarter last year from £89.79m to £66.74m, says cement sales are expected to be reduced by a further 12 cent this year. This is mainly due to the freeze in new investment in commercial property – particularly in new office developments which are heavy users of concrete and steel.

The reason for this decline can be found in the vast amounts of office space commissioned and built during the late 1980s as commercial property values soared. This would have left too many buildings chasing too few tenants even if the British economy had not entered recession.

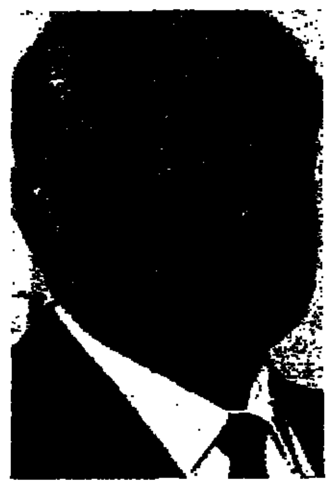
NEDO has forecast that commercial output could decline by 15 per cent this year and by 25 per cent in 1992. This would follow annual increases of almost 12 per cent last year, 26 per cent in 1989, 15 per cent in 1988 and 18 per cent in 1987.

The effect of this overbuilding is most evident in London and the south-east, where a recovery in commercial construction is not expected for at least 18 months – irrespective of whether interest rates come down further.

However, there are signs that a small recovery in housebuilding may be under way following recent reductions in interest rates – though this is likely to be a slow thaw rather than a rapid recovery.

Wimpey's Sir Clifford Chetwood, who is also president of the Building Employers' Confederation, has estimated that there is a backlog of between 1.5m and 2m secondhand homes which will need to be sold before sales and margins on new houses see any significant pick-up.

In a bid to promote sales, builders have been offering a wide range of sales incentives:



Peter Drew, chairman of Taylor Woodrow: first downturn in 30 years

from subsidised mortgages and part exchange deals to straightforward discounts which in isolated cases have been as much as 30 per cent, says Sir Clifford. He does not expect to see any real improvement in profit margins until towards the end of this year, even if the UK housing market starts an immediate recovery. Builders say that incentives will continue to be offered for some time after sales start to pick up.

The housebuilding market in some parts of London and the south-east have been in recession since August 1988. The housing market in London's former docklands has been in recession since the stock market crash of October 1987.

The number of starts made on new private homes by builders in the UK has declined from almost 222,000 in 1988 to 133,000 last year.

NEDO has forecast that builders may start work on 140,000 private sector homes this year. But this would still be the second lowest total since 1981. Even 150,000 starts would be the second lowest total since 1982.

Most housebuilders are looking to 1992, rather than 1991 for a recovery in profits, even if sales improve this year. This has not prevented their shares from bounding up at the prospect of a recovery, however.

The FT-A Contracting and Construction index during the six weeks between February 1 and March 18 outperformed the FT-All Share index by 10 per cent. After rising sharply, building material shares faded towards the end of this period. Sales of cement, concrete and bricks and glass for commercial construction are likely to remain depressed even if sales to housebuilders improve.

The effect of the downturn in the commercial property market has been to drive down orders. The value of construction orders received by contractors in the UK fell last year by 17 per cent to £22.47bn from £27.14bn in 1989, according to the Department of the Environment

Orders for offices fell by more than £1bn from £5.27bn to £4.21bn. Orders for offices during the final three months of last year were almost 25 per cent lower than during the final quarter of 1989.

Some companies, in a bid to maintain cash flow (possibly to meet the cost of interest on development loans) have been winning work on what appears to be very little margin for profit.

According to some contractors, average gross margins vary from zero to 2 per cent. This compares with average margins of between 3 and 5 per cent on work won three years ago, when contractors were reporting shortages of skilled labour and some building materials.

Andrew Taylor

Canary Wharf in London Docklands

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THE GULF War was over in a matter of weeks, but its impact on the order books of public works contractors could last much longer.

The industry reckons that FFr2bn of the FFr10bn to be cut from government spending to help finance the French military *effort in the Gulf will* come from cancelled investments in public sector building and repair works. Road construction will be trimmed by 16 per cent, accounting for FFr1bn of the savings.

The National Federation of Public Works (Fédération Nationale des Travaux Publics) is particularly worried about the possible ripple effect of the reductions. If they are taken from road projects – financed 60 per cent by central government and 40 per cent by local authorities – *the FFr1bn* cutback could cost the sector FFr2.5bn in lost work and up to 4,000 jobs, the federation *explains.*

And even if the FFr1bn cutback comes from state funds only, which would be *outside* regional development tax, 1,500 to 2,000 jobs are forecast to go.

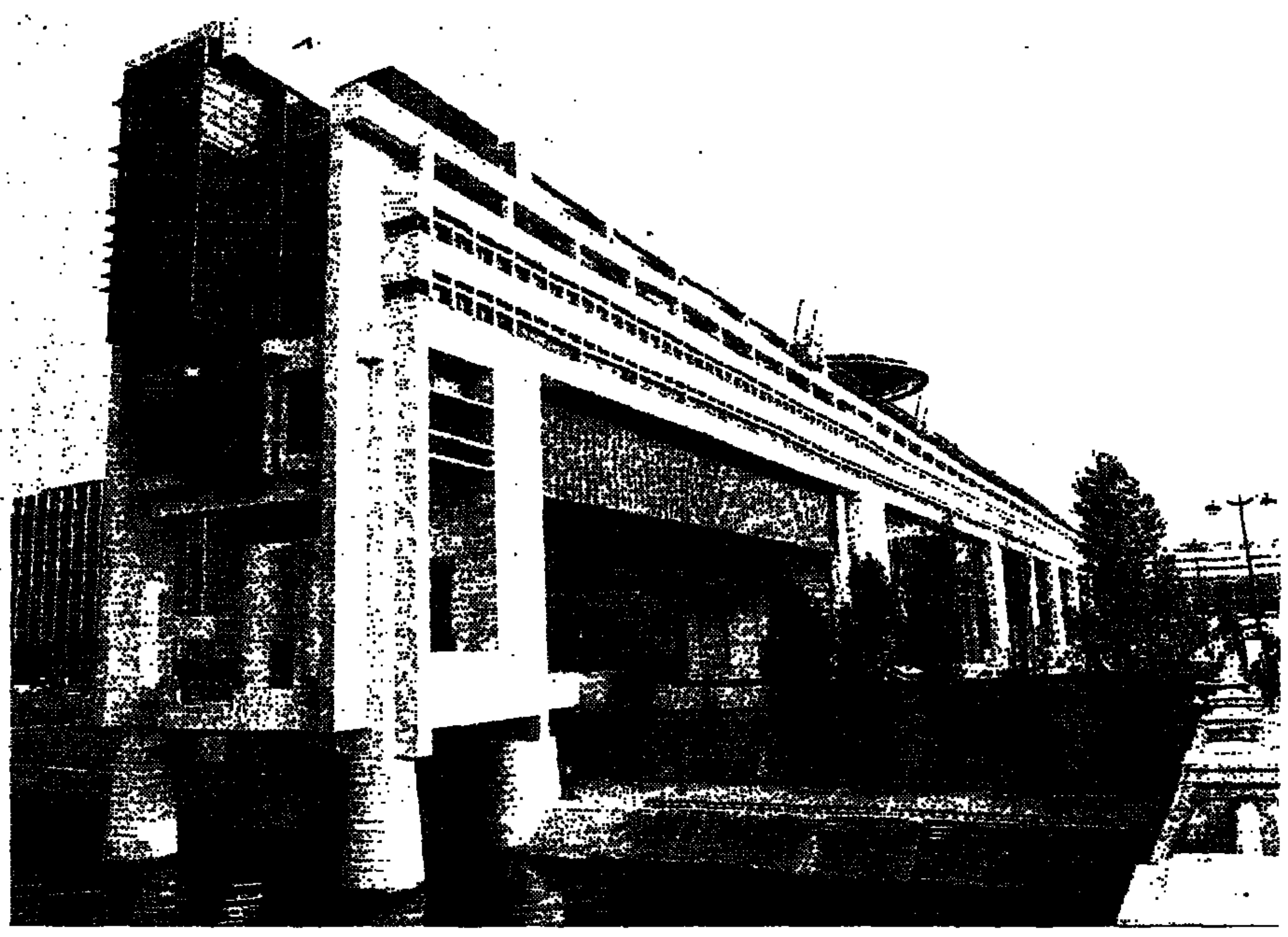
No decision has been taken yet on which projects will bear the brunt of the cancellations.

To rectify matters, the federation is calling on the government to introduce a public tax that might be reimbursed instead of scrapping the allocations and risking jeopardising the government-region pact. It is also lobbying for a 3.5 per cent rise in motorway tolls to bring them into line with the higher cost of living.

The toll increase appears to have more chance of going through than the "compulsory loan", government officials say. Mr Pierre Bérégovoy, finance minister, has ruled out any tax increase in the interests of stimulating the flagging economy, but officials say they will consider requests from motorway operators for higher tolls, as long as these do not push up inflation.

The industry dismisses that concern. According to federation calculations, an extra 3.5 per cent in revenues would add only 0.006 of a percentage point to the consumer price index, but would earn another FFr600m. This would mean FFr300m more in road maintenance works this year and other new building projects in 1992.

The federation is confident of French contractors' ability to compete when European public procurement markets are opened up. The government's determination to achieve full clarity in tender procedures is not a problem, so



The new Ministry of the Economy and Finance at Bercy Ashley Ashwood

Why the country's public contractors want motorway tolls raised

French road plans trimmed

long as Germany, Italy and other countries play the game by the same rules, according to an industry source.

"Construction is one sector where French companies are strong in terms of financial position, international presence, technology and techniques", says Mr Gérard Lombrez, who handles the equity portfolio for the BTP Banque (literally translated, the building and public works bank).

The commercial and residential construction market is also in for a lean time this year. The National Building Federation (Fédération Nationale du Bâtiment) is betting on a growth of only 0.5 per cent, down from 2.5 per cent in 1990, 3.5 per cent in 1989 and 4.5 per cent in 1988. The decline last year was due entirely to the slump in housing. New residential starts are estimated to have fallen from 339,000 in 1989 to *315,000 last* year, and are predicted to slide again this year to about 300,000, representing a 5 per cent drop in production.

Interest rates may be easing but they are still high in real. "Ten per cent is high when inflation is running at only 3 per cent a year", comments Mr Dominique Hardy, the building federation's information director. "We estimate that each time interest rates rise 1 per cent, we lose about 10 per cent of potential property buyers in the Paris region."

For Mr Lombrez, current interest rates are so high that they "practically preclude the *possibility of real growth" in* the construction sector. He contends that bringing down the cost of money on its own is not enough. *It is impossible* to build property without creating inflationary pressure unless sufficient land is avail-

High taxation on let properties is blamed

able at reasonable prices, he adds.

Housing qualifying for subsidised finance was *hit* particularly hard last year, with a 20 per cent fall in new starts compared to a 6 per cent drop for homes financed at market rates. The drop stems from high taxation on let properties as well as high interest rates, *Mr Hardy says.* Despite big rents in the major cities, the yield on lettings can range from zero to 2 or 3 per cent *against 10 per cent on bonds,* he points out. In the mid-1970s, 35 per cent of rental income was tax-deductible, but the *allowance has gradually fallen* to only 8 per cent this year.

Commercial property construction looks less gloomy, even though some companies have scaled down investment plans.

Basing its forecast on current patterns of construction permits and new starts, the building federation says commercial property output slowed by 4.5 per cent this year compared to 7 per cent in 1990.

Barbara Casassus

Andrew Fisher looks at prospects in Germany

A boost from the east

IF ANY industrial sector in Germany is destined to participate fully in the economic recovery of the united country's five new eastern states, it is construction.

It takes only the briefest of visits to an east German city, town or village to see that the task is enormous. The needs range from the simplest of housing renovations to large infrastructure projects in the areas of transport, energy, telecommunications and the environment. Many roads have bone-shaking surfaces, the railways are in dire need of modernisation and the heavy use of lignite (brown coal) for home and industrial fuel has led to nauseous air pollution.

Even in east Berlin, which was given priority over such *cities as Magdeburg, Leipzig* and Dresden, some outlying streets contain houses in an advanced state of disrepair, with peeling plaster, boarded up windows and crumbling walls. Many factories in east Germany have not had any significant new investment for decades. And since consumer choice was highly restricted, there is plenty of scope for new building in the retail and service sectors.

Yet while the potential for a sharp rise in east German building activity is enormous, the pace of new orders has yet to develop any real momentum. In fact, the opposite has occurred. Last year, building production slumped by more than 20 per cent in east Germany, as the collapse of the old centralised economic system was followed by the introduction of the D-Mark and the exposure of the country's industry to the full force of western competition.

In 1991, however, the trend is expected to show a sharp improvement. The German building industry association expects construction volume to grow by at least 10 per cent in east Germany, around three times the rate in west Germany. The main thrust will come from commercial and public sector building orders, as investors start to build new factories and existing ones are modernised, and state-funded infrastructure projects get under way.

The association gives three main reasons for its more optimistic assessment. Latest enquiries by the IFO economic research institute showed that east German building companies themselves were now more positive; new orders for west German construction machinery rose further in the last quarter of 1990 as a result of rising orders from east German builders; and construction demand last November did not fall further from October's level, a change from the usual seasonal trend.

Moreover, the influx of east German migrants has increased demand for new building in west Germany, especially housing. Thus, the benefits should accrue on both sides of the former border. "Unification will provide a

Many east German factories have had no significant new investment in decades

major stimulus for construction in Germany," says a recent research report from US investment house, Salomon Brothers. "The existing infrastructure in the former east Germany is wholly inadequate, while numerous industrial sites require substantial development to meet European environmental standards."

Last year, new orders received by the west German building industry increased by 8 per cent in real terms. At the start of 1991, the industry had enough work for nearly three months, an improvement over the position a year ago. In the commercial sector, the order inflow approached 9 per cent in real terms, with orders stretching nearly four months ahead. In the housing sector, approvals for new buildings rose by 23 per cent in 1990; activity is picking up sharply after several slow years which have contributed to long housing queues, even without the addition of demand from those moving over from the east.

In recent years, the construction sector has been one of the main engines of West Germany's impressive economic growth. Buoyant demand, mild winters and low interest rates kept the industry operating at full stretch. Many east German immigrants have been recruited to west German building sites to help offset labour shortages.

The surge of activity has been a welcome change from the rougher conditions of the early 1980s, when business in Opec countries fell away as a result of their economic difficulties. Public projects also suffered as the Bonn government strove to improve the federal finances and new housing activity dropped because the supply was then deemed to be adequate. Now, however, says Salomon, "the outlook for the industry is excellent."

As a result, investment analysts are recommending building stocks again. Salomon's favourite is Hochtief, Germany's second largest construction group. UK stockbrokers Barclays de Zoete Wedd also think it is time for inves*tors to buy building stocks,* adding Philipp Holzmann (the biggest in the sector) and Dyckerhoff to the list. BZW expects commercial construction to stay lively as industrial companies seek to expand capacity to cope with domestic and foreign demand. More housing will also be needed in unified Germany, especially with the expected influx of ethnic Germans from eastern Europe.

In east Germany, housing additions and improvements will have to go hand-in-hand with a massive clean-up programme. According to IFO, more than DM200bn will need to be spent up to the end of the century to deal with the most severe environmental problems. Of this, the construction share will amount to some DM150bn. Most of the money will need to be spent on sewage systems, the rest going on waste disposal, air purification, drinking water supply and the clean-up of past pollution.

It all sounds as if east Germany could soon become one vast building site, something that may not be too far from the truth. But as well as money – the government is now making more funds available to help finance the huge cost of unification – reconstruction also requires effective planning and administration. Since state and local authorities in east Germany lack experience in both, erecting an efficient new economic and social structure from the ruins of the old will be a Herculean task.

NORDIC REGION

Downturn hits Sweden

THE construction slowdown that has already hit Norway and Denmark is now reaching Sweden after four strong years of building activity.

The decline in Swedish construction volume, which is expected to fall by an average of 5 per cent in both 1991 and 1992, will be less severe than in Norway, which has suffered an annual decline of 15 per cent in the past two years, or Denmark, with an annual fall of 10 per cent in the same period.

Sweden's building boom of the late 1980s, which was aided by a series of mild winters, was aimed at reducing a housing shortage in the main cities. Demand has eased since 1989 owing to rising costs caused by higher prices for building materials and a labour shortage that drove up construction wages. Hefty interest rates and a fall in industrial investment have increased pressure on the construction industry.

The government, which contributed to the building boom by subsidising housing renovation and improvements, has reined back its financial support owing to budget austerity. It has also cut subsidies for housing loans and reduced deductions for mortgages as part of the recent tax reform programme.

The construction industry has suffered from a special 30 per cent investment tax on office projects in Stockholm and Gothenburg that was introduced last year to curtail building. The measure was imposed to dampen wage growth in the construction industry, which was affecting national labour costs generally. There are hopes that long-delayed civil engineering projects will counterbalance the fall in housing construction.

The state has recently proposed spending SKr100bn, or SKr10bn a year, on a host of infrastructure projects, such as highways, mass transit systems and railroads during the 1990s. This amount represents only 10 per cent of the SKr100bn spent annually on construction in Sweden and so may only marginally soften the slowdown.

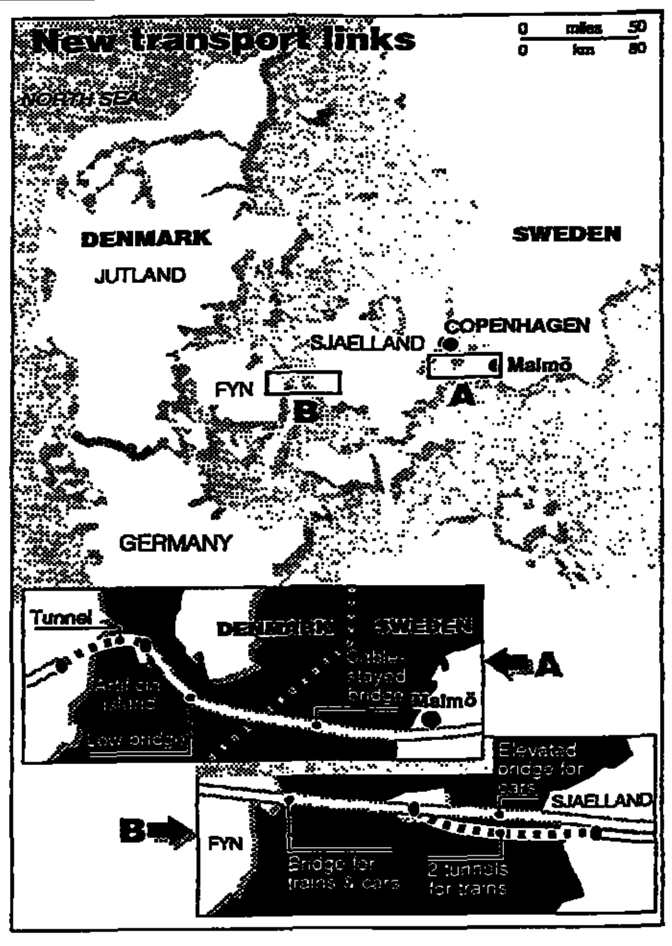
Infrastructure spending, however, would be boosted by other projects not included in the government's programme. This includes the building of the proposed bridge over the Oresund strait that separates Sweden and Denmark. The project is expected to involve Skanska and NCC, the two biggest Swedish construction companies, as well as several Danish companies.

The Oresund project, with an estimated budget of SKr18bn, is the second major step towards erecting a series of bridges and tunnels that will link Scandinavia with the mainland European continent. It coincides with the construction of a bridge and tunnel over the Great Belt to connect the Danish island of Zealand with the Jutland peninsula.

Skanska, the largest construction firm in Scandinavia, hopes to counter falling demand at home by boosting construction activity abroad, a strategy it successfully pursued in the 1970s when 30 per cent of its building projects were foreign, primarily in the Middle East.

But the decline in oil revenues in the early 1980s, combined with increased competition in the international construction market, forced Skanska to concentrate its operations at home during the past decade.

Mr Lars-Ove Hakansson, the Skanska president who was recently appointed its chairman, believes that Skanska is a stronger position to expand overseas since "the strong construction market in Sweden has helped accelerate technical developments and the accumulation of expertise at Skanska."



Bridges and tunnels linking Scandinavia with mainland Europe

Foreign construction represents about 15 per cent of Skanska's total building activity and the share increases to 20 per cent if the company's one-third stake in Selmar-Sander, Norway's largest construction concern, is included.

The company has also acquired stakes in three building concerns in the US, where half its construction work outside Sweden is located. Future US projects include the repair of Williamsburg Bridge in New York City and construction of a new headquarters for Bristol-Myers in New Jersey.

Skanska's revenues from construction amount to SKr21bn out of its total income of SKr35bn, with the rest mainly provided from its holdings as the country's largest private property owner. Skanska is also expanding its network of building material companies, which now generate SKr4bn in revenues. The largest company in the sector is the Myresjo Group, which makes pre-fabricated housing.

NCC, the abbreviation for Nordic Construction Company, has emerging as a competitor to Skanska since it was created from a merger between the building companies ABV and JCC in 1988. It has almost a fifth of the Swedish construction market and is expanding throughout the Nordic region.

The goal of NCC, which forms the nucleus of the Nordstjernan conglomerate, is to become one of Europe's five biggest construction and property companies by 1993. It now ranks 11th in Europe, while Skanska is sixth. NCC has embarked on a series of acquisitions costing SKr1.2bn to fulfil that ambition.

In Norway, where it has its own subsidiary, NCC has also acquired 33 per cent of Norway's fourth largest construction company Eeg-Henricsen. In the fragmented Danish market, it controls 41 per cent of the building company Rasmussen & Schiotz, the largest construction company, in addition to its wholly owned subsidiary, Armton Entreprenor.

It has withdrawn from the US market, which it judges to be high risk, to concentrate on developing its European operations. It wants to expand in eastern Europe as well as Germany, the UK and the Iberian peninsula through alliances and possible cross-ownership arrangements with local construction companies.

"NCC's business concept of providing a total commitment for all phases of a project, from concept to property management, is a great asset in the rest of Europe, where such a focus is unusual," says Mr Torsten Eriksson, its president. "We are continuing to transform NCC into a complete-services construction company."

John Burton

Tom Burns explains why the sector is buoyant

The road to growth in Spain

A STRONG infrastructure deficit, and an even stronger political commitment to remedy the shortfall combine to make Spain's construction sector one of the most buoyant in Europe. It grew by around 10 per cent last year, after a 13 per cent growth in 1989, and public works contracts will continue to pull the sector forward for the foreseeable future.

The most telling indicator of the overall prospects of Spain's main contractors is a 1992-2000 Second National Road Plan that will add some 4,000km of motorway to the main highway network and which will involve Pta1,500bn ($15.7bn) of government spending.

The plan, due to be approved by parliament in the near future, almost doubles the already high expenditure on overhauling the road network under a 1986-91 Public Works ministry plan. The first plan led to the construction of 500km-600km of motorways and bypasses a year and the construction companies turned in spectacular results last year as a result.

Analysts see a somewhat lower rate of growth and perhaps a blip in the order books in 1992, between the completion of the first National Road Plan and the start of the second one. Concern over a sudden slowdown between the two plans has prompted a government proposal of a "bridge plan" to maintain the momentum of the infrastructure investment.

"Order books probably peaked in 1990 when they grew to around 18-20 months", says Mr Luis Phillips of brokers Barclays de Zoete Wedd. "Gross margins will probably peak at 4 per cent this year."

Mr Leonor Aresti, of Madrid brokers FG, estimates that the sector will grow below 10 per cent this year although it will remain well above the European average; "growth could be between 5.5 and 6 per cent over the next three years."

This sustained growth will be due to the successive road plans which revitalised the sector when it was languishing in the early 1980s and have since, to a great extent, become its life support mechanism. Public works contracts represent nearly 75 per cent of the volume of the sector's business and the high spending associated with them is a reflection of the urgent need to bring the domestic road network up to European standards.

Road haulage plays a major role in Spain and the political commitment to improve the existing highway infrastructure with the aid of EC structural funds handouts is a key element in the government's bid to improve the competitiveness of Spanish exports.

In 1984, at the start of the First National Road Plan, the domestic network with only 1,800km of motorways was woefully deficient. When the programme winds up at the end of this year there will be 6,000km of motorways in Spain, narrowing the gap with France and Italy, which have 9,000km and 8,000km respectively.

The construction business has also benefited from the major works in Barcelona, the site of next year's Summer Olympic games, and Seville, which will stage a Universal Exposition, also in 1992. The six-month long event, Expo '92, will celebrate the quincentenary of Columbus' first voyage to the New World and will be the biggest World Fair to date.

In both Barcelona and Seville, Spain's second and third largest cities, the staging of the global happenings has been seized on as an opportunity for an urban overhaul. Ring road expressways and new developments are being built in both places. The fever has spread to Madrid where a second ring road is being completed; a third is planned for the late 1990s.

At the end of this year there will be 6,000km of motorways in Spain, narrowing the gap with France and Italy (9,000km and 8,000km respectively)

The sector has finally been pulled by the government's more than Pta2bn investment in a high-speed railway linking Madrid and Seville that is due to be in operation in time for the Expo 92 opening. Two more high-speed links (both from Madrid to the French railway network, with one passing through Barcelona and another through Bilbao) are likely to be undertaken within the next 10 years.

One consequence of such activity is that labour costs have risen sharply. The construction sector won an 8.5 per cent across the board wage rise last year, more than two points above government pay guidelines, and the real rise in take home pay was closer to 13 per cent.

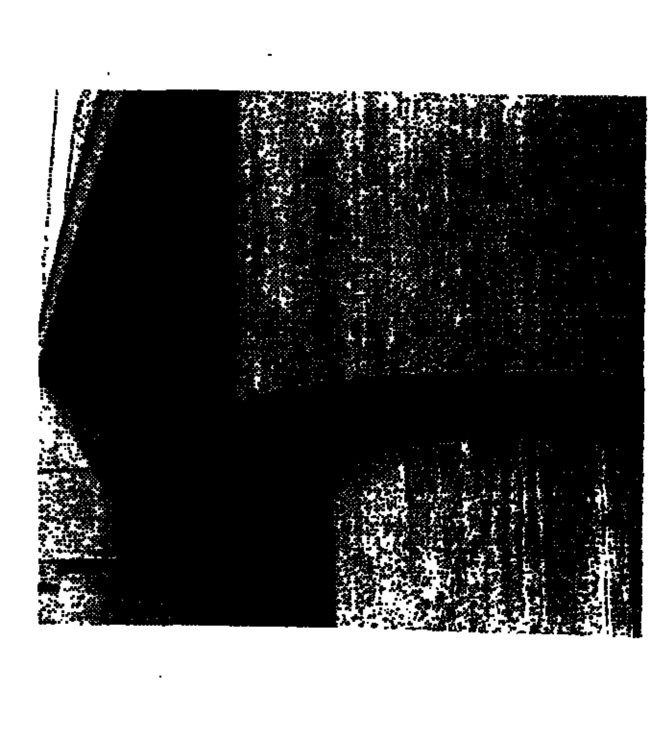
Stories abound of foremen and skilled workers being hired away from their jobs by rival companies offering vastly increased pay packets. But such rising costs seem to have made little impact on profits posted by the main general contractors.

The Marbella region (above); now the building industry is benefiting from works in Barcelona and Seville, sites of the Summer Olympics and Expo '92. (picture: Ashley Ashwood)

The only dent in the sector's profile appears among the small contractors – in line with EC averages, some 80 per cent of Spain's 30,000-odd construction companies have less than 10 employees – that have done well out of subcontracting agreements but which also concentrate strongly on the housing market.

Housing starts rose from 250,000 a year in 1988 to 270,000 in 1989 and were estimated to have dropped to 240,000 last year in the wake of a series of government credit squeezes, adopted in order to slow the giddy growth of the domestic economy.

The cautious relaxation of these measures since the begining of the year and the prospect of a more significant drop in interest rates in the second half of the year nevertheless suggests that the smaller fish in the Spanish construction pond will be able to recover their strength.



Intense competition for international projects

Italian contractors face order cutbacks

AFTER several years of strong growth, the Italian construction industry is facing a more difficult period as public and private investment have come under pressure. As in other European countries, construction output is expected to stagnate as the economy slows.

High interest rates and moves by the government to restrain Italy's mounting public sector debt will curtail construction activity over the next 18 months – and may even lead to a decline in output in some sectors.

Gross domestic product, which rose by 3.2 per cent in 1989 and 4.2 per cent in 1988, is thought to have risen by no more than 2.5 per cent last year. Confindustria, an organisation of private industrialists, forecasts that growth this year will barely exceed 1 per cent.

The biggest problem facing the economy is the size of the public sector debt, amounting to a million billion lira – equivalent to the whole Italy's GDP.

The government this year intends to cut its annual budget deficit from L141,000bn to L133,000bn. This would still be equivalent to 9.3 per cent of GDP. The 1990 budget deficit of L141,000bn represented an increase of some L8,000bn on the previous year and was attributable solely to higher interest costs on public debt.

The government is seeking to stabilise the outstanding debt through higher taxes, sales of public assets and reduced expenditure. The construction industry fears it will be unable to make sufficient inroads by cutting expenditure and that big capital projects will suffer from increased delays.

Construction output rose by 3.6 per cent in 1989 and by 2.5 per cent in 1990, according to Ecosfera, an independent research organisation for the construction industry. This year, it forecasts an increase of only 0.7 per cent.

Ecosfera expects growth in private sector investment in commercial and industrial contraction to slow considerably, while new housebuilding is forecast to decline by about one-half of one per cent this year. Civil engineering, which is heavily dominated by the public sector and which is thought to have increased by about 3.5 per cent last year, is forecast to grow by only 0.8 per cent during 1991.

Housebuilding rose sharply during the late 1980s as the domestic economy grew and individual spending power increased. About 70 per cent of Italian families own their homes, according to Ecosfera.

Public expenditure on housing, by comparison, has fallen as large building programmes started earlier in the 1980s have been completed and local authorities struggle to implement projected spending programmes.

High interest rates, together

Public works account for almost a third of Italy's construction work, says ANDREW TAYLOR

with a reduction in the amount of money families have to spend on housing, are expected to lead to a small fall in residential construction this year. This follows increases of 4.4 per cent in 1989 and 1.5 per cent last year.

Increased taxation on housing will also act as a brake on the market, according to Centro Richerche Economiche e di Mercato Nell'Edilizia (CRESME), an independent organisation which carries out research for the construction industry. It says the sale of a home can carry taxes accounting for up to one-quarter of the property's value.

Growth in private sector investment in commercial and industrial construction is forecast to fall from an estimated 9 per cent last year to 3 per cent this year. The expected decline would be even greater but for the fact that a number of building programmes, commissioned in the late 1980s, have still to be completed.

As programmes come to an end, so output can be expected to decline. The slowdown in the economy means that companies are less likely to invest in new buildings, particularly while interest rates remain high.

Given the upsurge in development at the end of the 1980s, it is arguable that a pause in investment was likely.

In this respect, Italy is no different from several other European countries which can also expect slower growth, and in some cases a decline, in private residential and commercial construction.

The most important area for Italian construction is public sector spending by government and local authorities. Excluding housing, public works account for almost a third of all construction output.

Civil engineering, mostly paid for by the public sector, rose by 3.4 per cent in 1989 and 3.6 per cent in 1990. This year, output is forecast to grow by less than 1 per cent. Output might even fall should spending cuts be higher and work through more quickly than expected.

Forecasts for public spending on construction are notoriously difficult to make. Expenditure targets are seldom met by government, nationalised industries, state and local authorities.

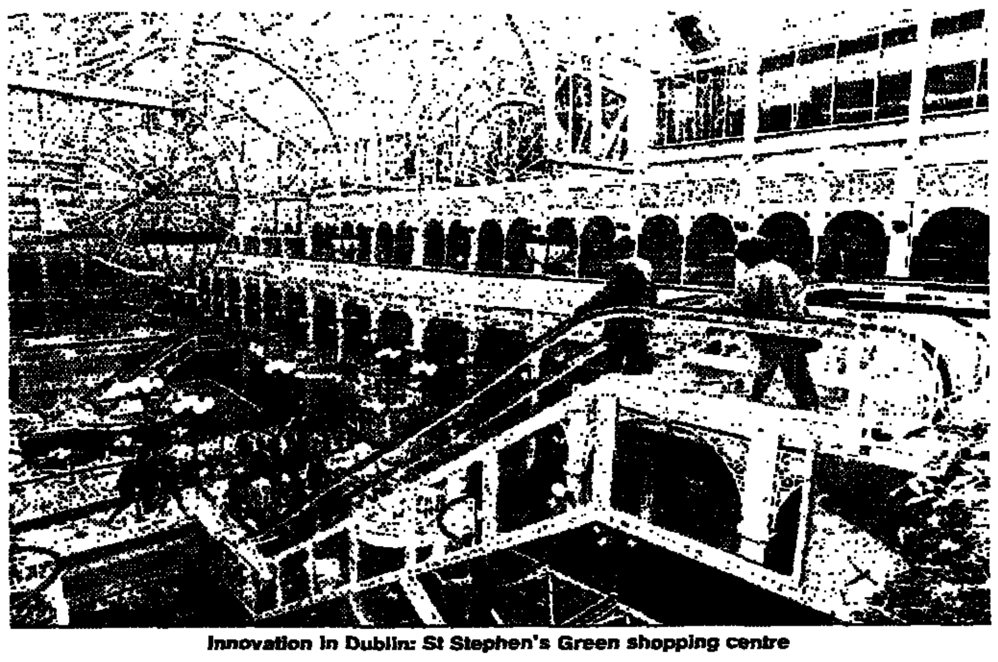
According to CRESME, there are about L9,380bn of allocations held over from previous years and still available to various authorities.

In a bid to keep a tighter grip on public expenditure and reduce inefficiency, graft and fraud which affects much local spending, the government is attempting to bring control of expenditure back to the centre and away from local authorities. However, it will be difficult to break down the power of politically-strong regional and local authorities.

Italian contractors have traditionally been among the most aggressive competitors for overseas orders.

The country's share of international orders, however, has fallen in recent years as spending by developing nations has dropped.

Contractors are looking to eastern Europe and the Middle East to offset a slower market at home. This will not be easy, however, and construction companies can expect stiff competition from other European contractors experiencing similar domestic difficulties.



Innovation in Dublin: St Stephen's Green shopping centre

IE3bn-a-year sector has 6,000 companies

Recovery rate slows down in Ireland

FOR MUCH of the 1980s, the Irish economy was in the doldrums. With falling activity at home, Irish building and construction companies rushed to expand into the UK to take advantage of rising house prices and high levels of activity.

The more adventurous also expanded into continental Europe, in particular into "sunspot" developments in Spain and Portugal.

Now it is not uncommon to find Irish firms based in the UK returning to Ireland to price and bid for projects. As the UK construction sector has gone into recession, in Ireland there has been a mini-boom.

In each of the last two years, the Irish construction sector has expanded by between eight and nine per cent. The industry is now estimated to be worth I£3bn per annum, employing about 70,000, of whom 18,000 are in the public sector.

The Irish Construction Industry Federation estimates that about 6,000 companies are involved in the building sector, though many of these would have under a dozen employees. While pleased with the recovery of the past two years, the federation points out that activity still falls short of that of 10 years ago.

"We calculate that activity levels in the construction sector in Ireland dropped by a third in the 1980-88 period", says Mr George Hennessy of the federation. "There have been a couple of good years, but generally we feel that there will be no growth in the present year."

Though the public sector has traditionally been the engine of growth in the Irish economy, it has been the private sector which has led the recovery in the construction industry in the 1988-90 period – a time when the overall performance of the Irish economy has improved considerably.

This can be seen in the numerous new developments in Dublin and other cities. The Customs House development on the banks of the River Liffey in central Dublin is Ireland's biggest single privately-financed construction project. The scheme, which could eventually cost as much as I£450m, includes the provision of about 1m sq ft of office space on a 27-acre inner city dock site, which will also include residential units, an hotel, a conference centre and other amenities.

The centrepiece of the Customs House development is Dublin's International Financial Services Centre, parts of which are already open. The bulk of the work is being carried out by a consortium headed by Hardwicke, (Ireland's largest privately owned development company), British Land and McInerney Properties.

Housing accounts for about a third of total construction industry output. In the late 1970s, more than 7,000 public sector houses were built each year. In both 1988 and 1989, less than 1,000 public sector houses were built.

In the early 1980s, nearly 30,000 houses were built by the private sector. By 1986 that number had fallen to 16,000. While increasing demand, coupled with rising prices, has encouraged private sector housing over the last two years, activity is still well down on 10 years ago: last year 19,600 private sector houses were built.

While some companies have weathered the ups and downs of the domestic and international construction scene, others have been forced to cut back operations. McInerney Properties, once one of Ireland's biggest companies, was last year forced to undertake financial restructuring in the face of growing losses in its UK operations.

Cement Roadstone Holdings, the Dublin-based building materials group, is reaping the benefits of its carefully judged acquisition programme of recent years. CRH recently announced pre tax profits of I£80.57m in 1990 – a 27 per cent rise over the previous year.

Though operations in the US and UK had a tough time in 1990, CRH has managed to retain a substantial share of the home market while expanding its European operations. Trading profits in Ireland almost doubled in 1990 from I£16.18m to I£30.63m. Difficult trading conditions for CRH in the US and UK were also offset by strong performances in the Netherlands and Spain.

Power Corporation, the publicly-quoted Dublin company headed by Mr Robin Power, has also successfully manoeuvred through troubled times in the US and UK. Power has developed a number of centres combining fashion, food and leisure. In the UK, Power's biggest development is the Trocadero site in London's Piccadilly. In Los Angeles, Power is involved in Rodeo Drive, an up-market retail area known as "the street of gold".

On the materials side, there is concern about whether new EC regulations will prove effective. Ireland is a relatively open market and imports more than half of the total value of its building materials. In 1989, Ireland imported I£541m worth of building materials and exported I£363m worth.

Mr Derek Maynard of the Confederation of Irish Industry says it is important that EC directives specifying technical requirements on building materials and guaranteeing Irish exporters access to other markets be properly enforced.

"Sub-standard materials must not be allowed to come on to our market, nor must EC countries be allowed to erect artificial technical barriers to prevent us exporting."

As the effects of recession elsewhere begin to influence economic activity in Ireland, the outlook over the next 12 months is uncertain. Construction activity is well down in the agricultural sector. The housing market is no longer as buoyant as it once was, although some benefits could come from a massive building and construction programme planned by the government with the aid of I£2.86bn from EC structural funds in the period 1989-1993 period.

The programme, billed as the "biggest development plan in the history of the Irish state", aims to modernise the road and communications network. But some construction companies have expressed disappointment that, so far, the government has shown no particular urgency, with no major projects started over the last 12 months.

Kieran Cooke

EUROPEAN CONTRACTORS

The construction industry: approximate percentage of domestic market shares of major European contractors in 1990:

ITALY:	
Cogefarimpresit	0.6
Italstrade	0.5
Lodigiani	0.3
Condotte	0.3
CMC	0.3
Caltagirone	0.2
Astaldi	0.2
Grassetto	0.2
GERMANY	
Holzmann	1.2
Hochtief	1.1
Bilfinger & Berger	0.6
Strabag	0.6
Dywidag	0.6
WTB	0.5
UNITED KINGDOM	
Trafalgar House	3.3
AMEC	3.2
Balfour Beatty	2.6
John Laing	1.9
Tarmac	1.8
Wimpey	1.7
Taylor Woodrow	1.6
Mowlem	1.6
Beazer	1.4
FRANCE	
Bouygues	3.3
SGE	3.3
SAE	2.0
GTM Entrepose	1.8
Spie Batignolles	1.7
Fougerolle	1.2
Dumez	0.8
NETHERLANDS	
HBG	3.0
Volker Stevin	2.8
Bam Holding	2.1
Ballast Nedam	1.3

Source: Swiss Bank Corporation, Equities Group: Report on European Contractors, June, 1990.

Nicholas Denton on prospects and problems in eastern Europe

The rebuilding of a region

THE enormity of the task of reconstruction: the phrase is more than just another cliché to apply to eastern Europe. The region literally needs rebuilding; and even before the work can begin, the building industry itself needs to be refashioned to meet new needs.

Economic and political liberalisation, reorientation towards the west, and an emphasis on individual rather than collective preferences are revolutionising construction work across the entire industry.

Opening up to western investment has brought a burst of still largely unsatisfied demand for office space in its wake. This influx of western business, combined with tourists, has stretched existing hotels to capacity and encouraged the building of more. Moreover, investors' joint ventures in manufacturing need new or revamped factories.

Hungary, which received half of all foreign investment in eastern Europe in 1990, has seen the most of the related construction. Estate agents estimated last year that office space in Budapest's central business district sold for Ft150,000-Ft200,000 per square metre, although it only cost about Ft70,000 to build: a common complaint by investors.

But construction companies stand to benefit from the end of a 15-year drought in new office building. Skanska of Sweden, for instance, has developed a large office building at the edge of Budapest city centre and bases its optimistic forecasts on east European prospects.

Hotel construction is also attractive in a city where some hotels last summer were booked ahead for several months. The Hungarian tourist office estimates that 3,500 beds will be added by current projects, which include a Budapest Kempinski and Oberoi. The Vienna-Budapest Expo, likely to take place in 1995, would provide an estimated Ft23bn worth ($320m worth) of hotel and other construction.

Factory construction has proved a boon to east European companies such as Hungary's model 31st State Construction Company, which is doing much of the work on Suzuki's new car plant in Esztergom.

Openness to the world promises an export boom too. Poland has traditionally been the most important exporter of construction materials and services (and organised moonlighting), both to its east European neighbours and further afield. Exbud, the flagship of Poland's first privatisation package, at one point had 8,000 of its 11,000 workers abroad. The company's hard currency exports are growing strongly.

Hungary, too, expects construction exports to boom: at least $250m in 1991, compared with hard currency exports last year of $154m, mainly to Austria and West Germany. Construction supplies are also in strong demand from barter partners. Czechoslovakia has contracted to provide construction equipment in exchange for oil from the Tyumen region of the Soviet Union, and construction materials in exchange for oil from Iran.

Political developments also have their effect. Democracy has amplified concerns about the environment, forcing governments to scrap some power plants and plan others. Cleaning up the environment is another new priority.

Worries about water pollution, for example, stopped Hungary from continuing with its side of the Bos-Nagymaros hydroelectric power project.

Opening up to western investment has led to a burst of demand for office space

Poland has frozen work on the Zarnowiec nuclear power plant. Czechoslovakia has abandoned the Stonava coke works and two of the planned four nuclear reactors at Temelin.

But energy will have to come from somewhere. Czechoslovakia plans a new power line to link it to Austria; Skoda Engineering has joined with Westinghouse to design two new and safer nuclear power stations, and cleaner fossil fuel plants. Poland intends to build a 6m tonnes a year oil refinery near Blachownia.

The break-up of the Soviet bloc is a further factor. First, the Soviet Union's former allies are trying to reduce their dependence on oil supplies from the east. This desire lies behind a Hungarian-Kuwaiti construction plan to enable the Szazhalombatta refinery to desulphurise Middle East oil.

Second, the withdrawal of Soviet troops involves German-financed construction of new flats for them in their own country. Lead contractors, likely to be German, may subcontract work to Polish, Czech and Hungarian firms which have the advantage of proximity to and familiarity with the Soviet Union.

The infrastructure also needs to be brought up to western standards. Take motorways: in the communist states, they rarely ventured more than a few miles from the capitals. Money to remedy this lack will have to come from tolls and international credits rather than impoverished governments. Czechoslovakia plans a toll motorway to link Plzen to the German border. Co-Nexus, a Hungarian financial institution, is organising a 250km toll motorway to link Budapest with Yugoslavia.

House-building is also changing as people reject large-scale housing projects which cash-strapped state budgets cannot in any case afford. The development threatens manufacturers of prefabricated elements for system-building but presents an opportunity for smaller.

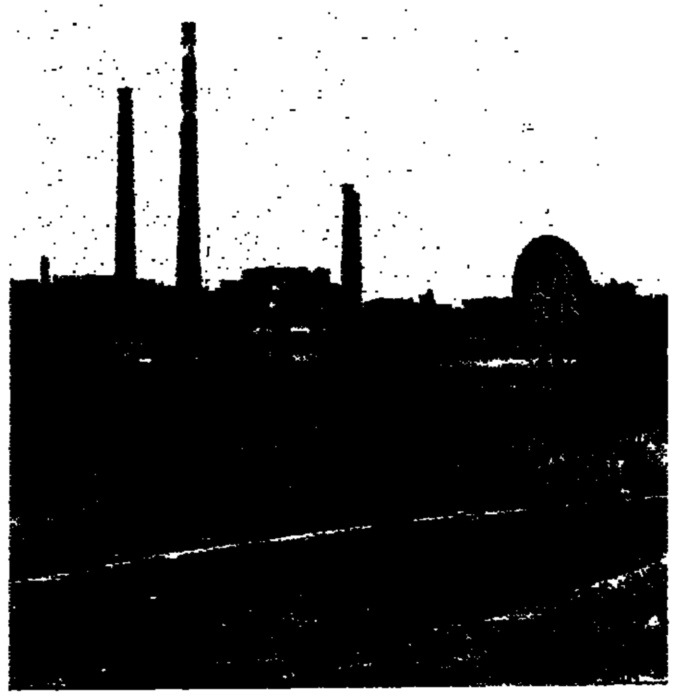
In Hungary, for example, the number of new homes fell from 90,000 in 1980 to 51,000 in 1989. But much of the decline was in system-built housing which fell to 10,000 units. The average size of flat increased by over 30 per cent, along with quality. As a result, the proportion of new homes built by large state companies fell from about one half in 1985 to one fifth in 1990.

The trend towards smaller companies is reinforced by the growing importance of refurbishment, for which they are more suited. New buildings accounted for 82 per cent of activity in 1980 but only 71 per cent in 1989.

In 1990 alone, the number of small construction companies in Hungary grew fourfold, from 500 to 2,000. The situation is better now than in 1987, when Hungary had 59 firms with over 1,000 employees and West Germany, a far larger country, only 17. But the industry in Hungary remains very concentrated and even more so in the country's east European neighbours.

Alongside the tendency towards smaller firms is an ever higher premium for skilled work. A stonemason can earn Ft5,000 tax-free for a day's work in Hungary, nearly half the average monthly wage.

Whereas the direction of the shift of construction industry is clear, the sum effect on output is not, at least in the short term. Official measures of construction output in the main east European countries show it falling everywhere. But output by small firms is growing rapidly; and what is measured is only part of the total.



Dereliction in east Germany: new ventures need new factories

Moreover, confidence that the future is bright is shown by the strong performance of some construction shares on the back of hopes of east European business, and foreign interest in local construction companies.

Last spring saw a temporary boost to the share prices of Hochtief, Holzmann and Bilfinger & Berger of West Germany, and Wienerberger and Porr of Austria, in the expectation of east European work. Several construction companies have offices in eastern Europe including Shimizu of Japan in Budapest, Bovis in Czechoslovakia. Investment funds in Hungary have targeted the construction sector, though without much result yet.

Responding to this interest, east European governments have made privatisation of the construction industry a priority. Most strikingly, the sale of Poland's Exbud construction company was the only clear success of the country's first five privatisations. Furthermore, one of Hungary's forthcoming government privatisation programmes is likely to cover the transformation of 20-25 of the country's 50 largest state construction companies.

But privatisation will not be easy. The industry needs to be restructured, some say even before it is privatised.

First, the concentration of firms is far too great for efficiency or competition. One Hungarian bank reportedly avoids open tenders because it says the method just encourages construction companies to collude and charge higher prices. Second, the larger firms are encumbered with paraphernalia of socialist colorations: workers' hostels and holiday resorts, for example. These non-productive parts would have to be hived off before foreign investors would look beyond eastern Europe's few flagship building companies.

But foreign investors face a double hurdle. In addition to the awkward structure of the industry, construction projects are complicated by the confusion over property. A site could easily have four claims to it: one from the former owner,whose property was confiscated by the communists; one from the existing occupiers, who have tradeable rental rights which come very close to property rights; and from the tiers of government which contest the title.

Recession takes its toll

Continued from Page 1

there are too many buildings chasing too few tenants and owner occupiers.

A pause in in investment was therefore always likely to occur at some stage, given the excess of supply over demand.

This is most evident in London and south-east England, where commercial property values have fallen sharply during the past 12 months.

The UK's National Economic Development Office (NEDO) has forecast that private commercial output, mostly offices and shops, will fall by 15 per cent this year and by 25 per cent next year.

There is also likely to be a slowdown in commercial development in other European centres, although this may take a little time to show through in output figures as existing schemes may still have to be completed.

The extent of the downturn will depend on the success of current economic policies to bring interest rates down and prevent the recession from deepening, particularly in the United States.

The current uncertainty about the outlook for the world economy, the danger of unrest and instability in eastern Europe and concern over the long term prospects for peace in the Gulf region make it unusually difficult to forecast how domestic economics and the corporate sector, particularly in construction, will respond.

The biggest falls in European construction output are expected in house building

Demand for investment in new construction in eastern Europe remains high, as it does in parts of the war damaged Middle East.

Opportunities for work clearly exist but they are unlikely to emerge until political and financial problems are resolved.

There will be opportunities, however, for British and French companies to win contracts in Kuwait.

The biggest falls in European construction output are expected to be in house building. Investment in homes has fallen as the rising cost of borrowing has deterred many private sector buyers.

Public sector investment in many countries has also declined, as central and local government seek to control public expenditure.

The strongest housing market is in Germany, where residential output, having risen by one-tenth last year, is expected to rise by a further 6 per cent this year.

A major factor behind the big increase in demand for housing has been the flow of immigrants into the western part of the country from the former East Germany and from other eastern European countries which have strong German ethnic minorities.

Public sector investment in many countries has also declined

Braas, Germany's biggest roof tile manufacturer which is 51 per cent owned by British building materials group Redland, has estimated that demand from refugees is creating an additional 110,000-160,000 new households a year.

The company says that between 1980-89, losses in housing from demolition and reconstruction had created a shortfall of about 1m homes.

In a bid to close this gap and cope with the refugee problem, the German government is providing substantial amounts of money in the form of direct aid and tax incentives.

In contrast, house building in Italy, France and Holland is expected to decline.

In Britain, housebuilding in London and the south-east of England has been in recession since August 1988. The number of private homes started by builders has declined from almost 222,000 in 1988 to 133,000 last year.

Falling interest rates are expected to push the figure up this year but only slightly. The NEDO has forecast that builders may start work on 140,000 private sector homes this year – the second lowest total since 1981.